INTELLECTUAL PROPERTY: LITIGATION, LEGISLATION, AND EDUCATION

A STUDY OF THE CANADIAN INTELLECTUAL PROPERTY AND LITIGATION SYSTEM

Gordon F. Henderson

Consumer and
Corporate Affairs Canada

Consommation
et Corporations Canada

Canada

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The analysis and conclusions of this study do not necessarily reflect the views of the Department.

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FOREWORD

INTELLECTUAL PROPERTY AND THE LITIGATION SYSTEM

The following report on intellectual property and the litigation system was commissioned from Mr. Gordon F. Henderson in December of 1989 and completed just over one year later. The impetus for this study arose from a previous report published by Consumer and Corporate Affairs[1] in which it was noted that there was wide-spread concern about many aspects of the litigation system.

Mr. Henderson is acknowledged as a leading figure in intellectual property and other areas of the law in Canada. He has over 50 years of experience as a practitioner and scholar. His report is a comprehensive and valuable reference tool. It is being published not only to be of use and interest to those concerned with intellectual property matters but to elicit comments on the 75 recommendations made by Mr. Henderson. The Department has not yet formulated a policy with respect to any of these recommendations and this publication does not necessarily constitute an endorsement of any aspect of the report.

While active consultations are underway through the aegis of the Department's Intellectual Property Advisory Committee (IPAC) at the time of publication, we nonetheless invite further submissions by interested parties. These may be sent to the attention of Mr. Howard Knopf, Senior Policy Analyst, Intellectual Property Review Branch, Consumer and Corporate Affairs, Ottawa/Hull, K1A 0C9. These comments would be appreciated by October 31, 1991.

Morris Rosenberg

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Assistant Deputy Minister
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July 1991

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[1] Intellectual Property and Canada's Commercial Interests, Minister of Supply and Services Canada, 1990.

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PREFACE

INTELLECTUAL PROPERTY AND THE LITIGATION SYSTEM

This study is a response to a request from the Department of Consumer and Corporate Affairs of the Government of Canada. The request arose because many owners and users of intellectual property rights in Canada had, in a survey conducted on behalf of the Department,[1] expressed dissatisfaction with the litigation system. The author was asked, among other matters, to identify what could be done to improve the system.

This has been no easy task, and is not yet complete. The identification of a problem can result in more questions being asked, and the need for more data or documentation to substantiate the recommendation. There is a vast amount of literature and data available on the subject of litigation in general, alternative dispute resolution, expert witnesses, and the other obvious types of issues that spring to mind. The present exercise examines a subset of that field of knowledge, insofar as it pertains in particular to intellectual property. Moreover, much will depend on the reactions to this study by both government and the private sector in Canada.

I intend this study to represent only my own personal views. However, I do wish to acknowledge several people who have helped in the gathering of information and background and the formulation of these views. These people include Alexander Macklin, Tony Creber, Emilio Binavince, Emma Hill, Milos Barutciski, and Alan Reid from Gowling, Strathy and Henderson.

Moreover, I am most grateful to Henry Molot and Paul Lordon from the federal Department of Justice for their insights and material on Federal Court reform, constitutional law considerations, and the establishment of new tribunals.

From the inception of this project, I have worked closely with Howard Knopf, a lawyer in the Department of Consumer and Corporate Affairs. His contribution was substantial and went well beyond that of project manager; without him, this work would not have been written. David Edwards, a lawyer, also with the Department, has been very helpful to both Mr. Knopf and myself. Bruce Couchman, a lawyer with the Department, provided several erudite comments. Danny Fernandes, a law student, assisted with editorial expertise. Grégoire Bisson, also a lawyer with the Department, provided very helpful legal and linguistic comments in the process of the translation of this study.

A constant theme throughout this study is that of the "David and Goliath" issue in litigation, namely, that the system may sometimes favour large and prosperous litigants without due regard to the merits of the case. I have been involved in intellectual property and indeed many other types of litigation for over 50 years. Some may say that I have acted for more Goliaths than Davids. If this is so, then many of my clients, both past and present, may be disturbed by this study, since it recommends several suggestions to redress this imbalance, which I believe actually does exist to some extent.

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[1] Consumer and Corporate Affairs Canada, Intellectual Property and Canada's Commercial Interests: A Summary Report, Minister of Supply and Services Canada, 1990, p.12.

Some may also say that I have acted for more rights owners or plaintiffs than defendants. But I think that this is not the case. I have been privileged to have been retained by a very broad cross section of clientele ranging from the largest to the smallest of businesses and individuals, and both for and against government. I am quite certain that all of my current clients will find recommendations in this report with which they agree and strenuously disagree as well. To restate the case, this is my report and mine only.

Overall, I do believe that the Canadian system is a good one and compares favourably with others anywhere in the world. However, it can be improved and it is for this reason that I welcome the opportunity to undertake this study.

Gordon F. Henderson

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Gowling, Strathy and Henderson
Ottawa, Canada
March, 1991

EXECUTIVE SUMMARY

While each Chapter in this study presents the most significant conclusions and recommendations flowing from the discussion at the conclusion of the Chapter, and these conclusions and recommendations are in turn extracted and collated in Chapter X as a Summary of Conclusions and Recommendations, the following brief Executive Summary is intended to show in capsule form the main thrusts of this report.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Conclusions and recommendations may be grouped as follows:

A. Efficiency and expediency in the justice system.

1. The establishment of a new Intellectual Property Tribunal is recommended. This would consolidate and rationalize existing mechanisms and provide a solid research and support infrastructure. (Chapter VIII).

2. Some judges should be appointed to the Federal Court and the Federal Court of Appeal with a background in intellectual property law, whether acquired in the practising profession or in the government.

3. Arbitration should be encouraged as a form of alternative dispute resolution. (Chapter V).

4. The litigation system should be less reliant on the routine use of overly qualified experts. Greater expertise on the part of judiciary and greater use of discretion in the award of costs could help in this respect. (Chapters II and III).

5. Contingency Fees should be established in the Federal Court jurisdiction, to help redress the "David and Goliath" problem. (Chapter II).

B. Expediency in the Delivery of Legislation:

1. There is a need for the government to attach a permanently higher priority to the importance of intellectual property law and policy for the achievement of Canada's economic and cultural goals. (Chapter IX).

2. There is a longstanding need for a better approach to passing necessary legislation on intellectual property in Canada. (Chapter IX).

3. It is the government's responsibility to devise and implement up-to-date and responsive legislation in a timely manner, even if the task is occasionally complex and controversial. (Chapter IX).

4. The need for up-to-date legislation is particulary critical with respect to issues involving new technology and trade. (Chapters I, IV, VI, IX).

5. There are many defective and obsolete provisions in Canadian intellectual property law that give rise to needless litigation. These must be dealt with by the government. Examples include the issues of official marks, crown immunity, the definition of a musical work, ephemeral recordings, and the entire *Industrial Design Act*. (Chapters I, IV, and IX).

C. Better Education:

1. There is a need for better education of the judiciary that deals with intellectual property laws. (Chapter II).

2. There is also a pressing need for small business and general practitioners of law to be better educated with respect to intellectual property and its interrelationship with other framework laws.

3. There is a need for more specialization and resources in government itself in order to meet its responsibility for devising and implementing adequate legislation in a timely manner.

D. Specific Federal Court Rules and Practice Changes

1. Affirmative case management by the Court should be instituted.

2. "Decision making management" should be introduced in the Federal Court system to ensure the timely delivery of judgments.

3. Rules and practices regarding discovery should be revised to lessen costs of litigation.

4. The Federal Court should be given sufficient resources to streamline its services and monitor its performance.

E. Trade and Industrial Strategy

1. There is a need to recognize the inextricable link between intellectual property law and trade, with a view towards identifying Canada's best interests.

2. In particular, the issue of exhaustion requires more study by all concerned parties, since it is the key to whether or not goods and services embodying intellectual property can flow across borders.

3. Related to the awareness of the importance of intellectual property to international trade, the government must keep in sight the importance of intellectual property to Canada's overall industrial strategy. While Canada is a very advanced and fortunate nation, we must still remember that Canada will remain a net importer of goods and services involving intellectual property for the foreseeable future. Competitiveness cannot be secured by protectionism.

4. Unless government is very vigilant, the private sector, through the litigation system, will strive to use intellectual property law more and more as a "private tariff" in an era that professes to embrace free trade.

The recommendations presented in this report also fall into another set of categories that is useful to consider. These categories pertain to the manner in which the particular recommendation would be implemented. The categories, with some examples are:

A: No statutory changes required: i.e. no legislation or regulation or rule making needed. Case management in the Federal Court would be an example of such a change, requiring only a directive from the Chief Justice. Consultation would be advisable but probably not legally necessary.

B: Rule or Regulation Required: i.e. a change to a regulation or rule involving the established mechanism for publication and consultation and implementation by the Governor in Council or the regulatory body. An example of such a change might be that relating to Rule 448 and discoveries.

C: Procedural Legislative Change Required: i.e. non-substantive statutory changes that affect procedures more than substance, such as the establishment of a new Intellectual Property Tribunal.

D: Substantive Law Revision: i.e. where major and potentially complex and controversial change to the substantive law itself is needed, e.g., official marks, industrial design revision, copyright revision.

INTRODUCTION

This is a study of intellectual property law and the litigation system in Canada. Although there are some great virtues in the system, there are, nonetheless, some significant problems as well. Some of the issues are very old ones and some are new. Some of the concerns are unique to the intellectual property area. Others are universal.

By intellectual property, I mean primarily patent, trade-mark, copyright and industrial design laws, which are spelled out in Federal statutes. I will also refer to trade secrecy and unfair competition (in which I include "passing off") law, which are not explicitly dealt with by statute.[1] There is also recent specialized legislation dealing with plant breeders' rights and integrated circuits.[2] I have included, in a very simplified form, a schematic diagram showing the relationship of the policy, operational, administrative tribunal and judicial apparatus in intellectual property as it presently stands at the conclusion of the appendix material (see Table 20).

A study of this nature, if it is to yield concrete results, must focus on a specific and circumscribed mandate. In this case, the boundaries are, essentially, matters within the constitutional competence of the Federal government and primarily those within the purview of the Minister of Consumer and Corporate Affairs. I have also touched upon certain matters that may be of interest to the Minister of Justice. Moreover, the study will likewise focus primarily on the Federal Court, since this court is within the overall federal mandate. References will be made to courts within provincial jurisdiction, but there is limited value in predicating solutions upon remedies that may be beyond the competence of Her Majesty in Right of Canada, who, through the Department of Consumer and Corporate Affairs, is the party requesting this study.

The timing of the present study is most fortuitous. There is a pent-up demand for an examination of the intellectual property system in Canada. The Royal Commission on Patents, Copyright and Industrial Designs under the Chairmanship of the late Chief Justice Ilsley, just over 35 years ago, made a comprehensive study of the intellectual property system in Canada. It made three reports. The terms of reference for the Ilsley Commission were brief but telling:

> ".....to enquire as to whether Federal legislation relating in any way to patents of invention, industrial design, copyright and trade marks affords reasonable incentive to invention and research, to the development of literary and artistic talents, to creativeness, and to making available to the Canadian public scientific, technical, literary and artistic creations and other applications, adaptations and uses, in a manner and on terms adequately safeguarding the paramount public interest, the whole in the light of present day economic conditions, scientific, technical and industrial developments, trade practices, and other relevant factors and circumstances, including practices under or related to the said legislation and any relevant international convention to which Canada is a party."[3]

The Ilsley Commission was not complimentary to the system as it applied to patents. It did recognize, however, that patents have a place in Canada as a mechanism to stimulate technical progress in four areas: the encouragement of research and invention, the encouragement of public disclosure of innovations, reward for the development of inventions, and an incentive to invest.

Although much has changed in 35 years, the terms of reference of the Ilsley Commission still ring true today in terms of valid and ongoing issues, both old and new. Changes and improvements have been slow to evolve. One year before the Ilsley Commission was established, an omnibus revision to Canada's *Trade Marks Act* received royal Assent on May 14, 1953. That was the last "omnibus" revision in intellectual property matters that I have seen in Canada. A major theme of this report is that obsolete legislation breeds litigation. Since then, there have been numerous studies, hearings, reports and recommendations. There has been some legislation that effected limited but significant substantive amendments as a result of particular issues, such as the controversial introduction of compulsory licensing for pharmaceuticals in the *Patent Act* in 1969. The modification of this system in turn in 1987 by Bill C-22 included other important changes on the coat-tails of the drug patent issue. However, all of these changes did not constitute an omnibus revision. Likewise, the *Copyright Act* was amended in 1971 to remove the possibility of a performing right in sound recordings and in a much more substantial way in 1988 (Bill C-60) to deal with computer programs, functional objects, piracy, collectives, moral rights, and through Bill C-2 (the free trade implementation legislation) to deal with retransmission. However, these copyright enactments did not constitute omnibus or comprehensive legislation and more revision is still contemplated in respect of the *Copyright Act*.

A fundamental change in the patent law of Canada was effected in the amendments to the *Patent Act* passed in 1987.[4] The system was changed from that of first to invent to that of first to file. This change, in itself, should eliminate an often wasteful type of litigation over who was the first to actually invent the subject matter of the invention. Litigation over entitlement was often difficult to resolve, depending on evidence of events long since past, often being resolved only on the basis of credibility. The date of invention pervaded all cases of validity. The relevance of prior art to the issue of inventive step depended on the relevant date of invention. The date stamp in the patent office is much more definitive. We have not yet seen the effect of this change because the current round of litigation is still based upon older patents. Moreover, although this change is quite salutary, it may not be so unambiguous in its effect, as will be discussed below. This is because the date of invention may still be relevant to validity, if not entitlement as such.

The first to file system should eliminate lengthy delays in the issuance of patents. Because of the complex conflict procedures, including appeals to the court under the old system, a patent could potentially issue many years after embodiments of the invention had, one way or another, found their way into the marketplace. The late issuance of a patent can create an instability in the marketplace for those who had entered into it in good faith. Examples of this type of problem are the recent instances of the 30 years taken by the Japanese Patent office to grant a patent to Texas Instruments with respect to semiconductor chips and the approximately 20 years taken by the U.S. Patent Office in the case of the Hyatt patent for microprocessors.

A positive step has been Canada's implementation of the Patent Cooperation Treaty effective January 1, 1990. The Treaty should reduce the costs to Canadians of obtaining patent protection in major countries abroad.

The recent copyright amendments are also notable for the purposes of this study because of their implications for collective administration of copyright. No longer will collective administration be limited to the field of musical performing rights. It will be available for artists and writers as well. But there are ominous signs that these amendments will lead to a great deal of unnecessary litigation if the complementary legislation promised for the second phase of copyright revision is not passed soon, for what we now have is incomplete and unbalanced.[5]

At the time of the Ilsley study, there were particular issues outstanding that still have not been dealt with by Parliament in a completely satisfactory way. Much litigation has taken place as a result. There are some issues that were problematic in earlier days and still have not been resolved by Parliament. This lack of resolution creates a breeding ground for litigation, much of which is unproductive and unsatisfactory. There has been mixed response to the challenge of new technology.

On the positive side, a statute to protect integrated circuit design is awaiting final proclamation. The *Plant Breeders' Rights Act* received Royal Assent on June 19, 1990. No progress whatsoever, however, has been made to protect other life forms. The legislature has consistently ignored judicial criticism and professional pleas for overhaul of the *Industrial Design Act*.

Since the time of the Ilsley Report, there has been a great reluctance by the courts and the legislature to be innovative in protecting patents. The most recent example is the failure of the courts and the legislature to date to protect new types of inventions such as seeds.[6] On the other hand, however, the Supreme Court of Canada has confirmed a Federal Court decision protecting computer programs under the former *Copyright Act*, even though the statute in effect at the time that action was commenced was enacted almost 70 years ago. Thus, the courts can sometimes be more nimble and adaptive to changing times than the law makers.

In the copyright field, the *Canadian Admiral*[7] case was decided in 1954. It held that cable retransmission did not attract liability because it was done by coaxial cable and not by Hertzian waves. Several other major lawsuits involving cable technology and performing rights ensued over the years. Even with the recent amendments dealing with retransmission, uncertainties abound and basic questions still remain to be decided with respect to what constitutes a "communication by telecommunication" to the public and even the very definition of a musical work is ill-defined. Canada's piece-meal approach to copyright revision is unique amongst developed countries, and the cable issue is particularly embarrassing, given Canada's supposed leadership in this technology. [8]

In the realm of trade-marks, Canada had, at the time of the Ilsley Commission, just begun to adopt[9] a registered user system in order to allow licensing of trade-marks while still giving due effect to the "source theory" of trade-mark law, which holds that a consumer is entitled to expect the same standard of quality when purchasing a trade-marked product or service. The purchaser is entitled to know that there is a single source of the goods or services being purchased. This time honoured principle was given effect in a significant recent decision by Reed J. in the case of *Charles Heintzman v. 751056 Ontario Limited et al.* (1991), 38 F.T.R. 210 (F.C.T.D.). Now, many members both of the public and the legal profession would like to see the registered user system abolished in order to save money and avoid the pitfalls of less than punctilious licensing procedures. However, one finds that the system is so basic to the architecture of the *Trade-marks Act* that it is not easy to abolish it without fundamentally altering the nature of the law. This is especially the case given the long line of litigation dealing with issues revolving around the question of registered users.[10] The implications touch not only consumer protection but major issues in international trade having to do with parallel imports and the theory of exhaustion.[11] The rapid developments in franchising have put a strain on the registered user provisions of the Act, and particularly the costs of administration.

In the field of industrial design, the legislature has failed to overhaul the *Industrial Design Act*.

Since the Ilsley Commission Reports in the 1950s, the overall litigation system, apart from the substantive intellectual property statutes, generally has undergone significant changes. These changes have impacted upon the enforcement of intellectual property rights. The Federal Court succeeded the Exchequer Court of Canada on December 3, 1970. At the same time, the Federal

Court of Appeal was introduced. Although the introduction of a Federal Court of Appeal has created an additional level in the hierarchy of appeals from the trial division, the introduction has not imposed on litigants additional costs in most cases. Earlier, the only appeal from a trial judgment in the Exchequer Court was to the Supreme Court of Canada. This resulted in many appeals in respect of procedural matters and less than significant matters finding their way to that court. The highest court of the land is now relieved of the burden of hearing many appeals that now end at the level of the Federal Court of Appeal. The Federal Court of Appeal has, therefore, for practical purposes, become the Court of last resort in most intellectual property cases. The Court is afforded the opportunity and responsibility of providing considered guidance and leadership to the development of the law. Perhaps the time has come for it to adopt a role beyond that of merely a court of error.

Any matter, in a Federal Court lawsuit, whether procedural or substantive, may be appealed to the Federal Court of Appeal. In view of the complaints made about the multiplicity of motions, the delays, and the costs of intellectual property cases, a system of leave to appeal on procedural matters might well be appropriate.

The Federal Court Trial Division, in patent cases particularly, places great emphasis upon presumptions. A presumption does not absolve the Court from the task of identifying the inventive step as claimed and disclosed and assessing whether that step justifies a finding of patentability. The construction of the patent and the prior art is a legal question. The Federal Court of Appeal tends to decide cases on the basis of reviewable legal error. Where a case is decided at the trial on the basis of a presumption, and no reviewable error is found at the Court of Appeal and leave to appeal to the Supreme Court of Canada is denied, a litigant in a patent case may be forgiven for believing that despite the length and cost of proceedings he or she never really had his or her day in court. Some of the presumptions applicable in intellectual property cases will be discussed further in this study.

The Federal Court structure and jurisdiction is about to be modified in an enactment awaiting proclamation. Bill C-38 deals with many important matters, some of which affect the intellectual property system with respect to judicial review. This Bill will also effect many other useful changes that will improve both levels of the Federal Court. It is hoped that some of the recommendations in this report will continue in the same direction.

It should be noted that several of the judges who have served on the Federal Bench over the years have distinguished themselves in delivering learned and penetrating judgments in the field of intellectual property. These noted jurists include Thorson, P., Noel, C.J., Jackett, C.J., and Thurlow, C.J. to name a few from a previous era. Even before that, Maclean, P. had achieved distinction in having a key case on anticipation upheld by the Privy Council.[12] Maclean, P. also tried key cases such as the landmark patent case of *Rice v. Christiani.*[13] He presided over the trials that related to the important radio patents[14] and at the trial in the famous case of *Coca Cola v. Pepsi Cola.*[15]

Today, the character of the Court has changed a great deal. There are even greater demands upon the Federal Court now both in terms of quantity of cases and breadth of issues involved. It may be necessary to examine measures that will assist the court and its judges to perform even better the major responsibilities entrusted to them.

Canada's economic structure is now becoming rationalized as a result of pressures imposed upon the industrial and commercial sectors in Canada by the Free Trade Agreement. This agreement makes the barriers to trade arising from intellectual property rights of increasing significance, since such barriers will be used by business persons more frequently as "private tariffs" to replace the traditional tariff protection that is now vanishing. The role of the Federal Court in the enforcement of such rights becomes more and more significant. Canada, as a signatory to the General Agreement on Tariffs and Trade (GATT) is under the significant scrutiny of other member countries in relation to the discriminatory enforcement of tariff and non-tariff barriers to trade.[16] The Patent Cooperation Treaty came into force in Canada on January 1, 1990. The role of Canada on the international scene as a trading partner and, on the domestic scene, where public policy dictates an aggressive industrial, commercial, and cultural performance requires that our laws and our judicial institutions be structured to support Canadian aspirations.

The study deals with several large issues, which are broadly organized by individual chapter. Certain questions have been set forth for further analysis. I have offered recommendations and conclusions on the more significant issues at the end of each chapter. For convenience, these are restated at the end of the study. The Appendix contains data on both the Canadian and U.S. litigation systems.

The analysis and recommendations in this study may irritate some and agitate others. However, irritation and agitation often initiate thoughtful consideration. One of the purposes of this study is to direct attention to the importance of intellectual property rights and the court that for the large part deals with those rights for the purpose of developing those thoughtful considerations and an action program in relation to the resulting conclusions from those considerations.

If my suggestions in relation to the Federal Court arising out of aspects of intellectual property litigation can be of use with respect to other areas (for example, the recommendations dealing with discovery and expertise in Chapters II and III respectively), I would invite those responsible to broaden the applicability of some of these recommendations. However, for me to do so would be well beyond the scope of my current mandate.

The potential beneficiaries of the reforms suggested below include not only businesses large and small, who would have a more efficient litigation system, but all taxpayers who would have a more streamlined and rationalized system to meet the operational and adjudicative responsibilities of government. The legal profession will also benefit by being able to devote time to more productive matters than is often now the case. Finally, and not at all the least of the beneficiaries, will hopefully be the country as a whole in the sense that Canada needs to reform many aspects of its intellectual property system in order to be competitive and successful in the next century.

Intellectual property policy should be part and parcel of Canada's industrial strategy. Canada must encourage research and development in those areas in which it wishes to excel and specialize from an industrial standpoint. Patent law policy is vital to such development. Since we are essentially a trading nation, it is important that our trade-marks law reflect this commercial reality. Finally, Canada's creators of literary, artistic, dramatic and musical works need reward and encouragement for their efforts. Copyright law is an important aspect of the infrastructure that supports our culture.

CHAPTER I

THE OVERALL LITIGATION SYSTEM AS IT NOW STANDS

The Trouble With Intellectual Property Actions

In 1892, the noted English jurist Lord Esher remarked, in the course of a rather protracted patent suit that:

> "It used to be said that there was something catching in a horse case: it made the witnesses perjure themselves as a matter of course. It seems to me that there is something catching in a patent case, which is that it makes everybody argue, and ask questions to an interminable extent - a patent case with no more difficult question to try than any other case instead of lasting six hours is invariably made to last at least six days, if not twelve. I am sure that there ought to be a remedy for it. ... now, what is the result of all this? Why, that a man had better have his patent infringed, or have anything happen to him in this world, short of losing all his family by influenza, than have a dispute about a patent. His patent is swallowed up and he is ruined. Whose fault is it? It is really not the fault of the law; it is the fault of the mode of conducting the law in a patent case. That is what causes all the mischief."[17]

Lord Esher was truly a "no nonsense" judge.[18] His admonition is probably even more valid today than it was almost 100 years ago! The same observations have been repeated many times, including in the important *Van der Lely* case.[19] It is equally significant today. In fact, a recent interlocutory proceeding in a patent case before the Federal Court provoked the following pronouncement by Justice Muldoon:

> "This is the sort of proceeding which gives patent and other intellectual property cases a bad reputation for multiplicity of interlocutory motions, and trivial, obfuscatory and fatuous proceedings."[20]

How has this state of affairs come to pass and what can be done about it?

The Court System and Arbitration

When parties cannot settle their differences between themselves, the state provides an apparatus to determine the outcome of such disputes. This apparatus consists of the courts and the judicial system. But if the judicial system fails to meet the demand for reasonably expeditious and reasonably cost-effective dispositions of disputes, then other dispute resolution mechanisms will arise. There is growing interest in having intellectual property disputes dealt with through alternative dispute resolution mechanisms such as private arbitration. There is also the possibility of combining arbitration and the judicial system by using private arbitrators to decide complex matters of fact.[21]

The issue of arbitration will be dealt with in other parts of this study, most specifically in Chapter VI. However, at this point, it is sufficient to note that the institution of arbitration, while hardly a panacea with respect to all the issues of costs and delays, promises to be of great utility in the field of intellectual property disputes, especially those involving very complex technical issues or complicated issues of private international law. The classic case illustrating the value of arbitration in such a circumstance is that of IBM and Fujitsu.[22]

There are four intellectual property statutes now in force in Canada, namely the *Patent Act, Trade-marks Act, Copyright Act* and *Industrial Design Act*.[23] Infringement actions under any of the Acts can be commenced in either the Federal Court of Canada or in the applicable court of a province. I will have more to say about the question of jurisdiction below.

The history of the Federal Court of Canada traces back to the Exchequer Court and the history of the latter is succinctly set out in the work *Practice of the Exchequer Court (Canada)* by L. A. Audette, K.C.[24] The Court has always been somewhat controversial insofar as its jurisdiction is concerned, and this is also discussed below.

The Federal Court of Canada

The Exchequer Court of Canada was created in 1875 along with the Supreme Court of Canada by 38 Victoria c. 11, ss. 58 and 59. Basically, its jurisdiction involved claims against the Crown and matters relating to causes of action and suits of a civil nature at common law and in equity where the Federal Crown had an interest.

The first Canadian Patent statute dates from 1869, 32-33 Victoria, c. 11. At that time, the Patent Office was attached to the Department of Agriculture. An action could be brought in any Court of Record having jurisdiction over the amount of the damages sought. The history of the Canadian patent system is well set forth by Mr. Gordon Asher.[25] Actually, the Minister of Agriculture initially exercised much of the jurisdiction over patents in disputatious matters.[26]

The Exchequer Court was formally given full jurisdiction in 1892 in intellectual property matters by 54-55 Victoria, c. 26, *An Act to Amend the Exchequer Court Act* which formally gave jurisdiction in patent, copyright, trade-mark, and industrial design cases to this court. More limited jurisdiction had been conferred a year earlier.[27]

Those with an interest in history and the significance of anniversaries cannot help but notice that there was very intense legislative activity, in several stages, almost exactly 100 years earlier than the present time in Canada. The first *Patent Act* was in 1869 and the there was a major amendment in 1969. The first attempt at a copyright statute was in 1889 and Bill C-60 became law in 1988.

Federal and Provincial Court Jurisdiction

Today, there are two systems in which one can launch intellectual property litigation. These are the Federal Court and the courts of the provinces. There are many complex jurisdictional and strategic decisions involved in choosing a forum; however, they roughly resolve to these:

1. Where the action between private parties is founded or rooted in federal legislation, i.e. patent, copyright, trade-marks, or industrial design, the action may be brought in the Federal Court. However, if it is not based upon a federal statute or a federal law, for example, a common-law passing off action or breach of contract, it must be brought in a provincial court.[28] The corollary is that a mixed claim, i.e. one that involves both statutory infringement and other matters, such as breach of a

licensing agreement, should also be brought in a provincial court. However, the taking of a separate action within the respective jurisdictions of each court is not unknown.

2. Any cases involving the status of a patent, or registration of a trade-mark, copyright or industrial design must be brought before the Federal Court. This is so because of the *in rem* jurisdiction aspect of such cases; the result will affect potentially everyone, not just the parties themselves because a patent or another registered IP right is effective as against all.[29] A defendant may defend an infringement action taken in a provincial court on the basis of invalidity. The decision on invalidity has effect as between the parties.

3. A decision of the Federal Court is binding and enforceable throughout Canada. This is not the case in a decision of a provincial court.[30]

4. It is argued that there is a greater consistency in decisions amongst Federal Court judges in intellectual property matters than is generally the case with their provincial brethren. The volume of intellectual property cases in the Federal Court leads to greater experience.

5. The Federal Court system is often thought to be faster than the provincial system for civil litigation. Fixed dates for lengthy trials facilitate an earlier hearing than is likely available in a provincial court. Fixed dates minimize the costs involved in arranging and coordinating the availability of expert witnesses and counsel.

6. The Federal Court system has less of a downside risk in terms of costs in the event of lack of success for the plaintiff. A successful plaintiff is able to recover less of his or her costs in the Federal Court than he or she can in the provincial system. However, a recent change in the Federal Court Rules would appear to bring the two systems into closer proximity in this respect.

7. The Federal Court is well suited to actions where several provincial jurisdictions may be involved, i.e. when a defendant is carrying on business across the country, or where several defendants from different provinces are involved.

8. The Federal Court is a problematic forum where the case does not clearly rest upon a valid intellectual property right under a Federal statute. The classic problem arose in trade-marks actions, where the registration of the trade-mark is of doubtful validity. In such a case, the plaintiff might be better advised to sue in a provincial court, because a passing off action would still have been available to him or her in this forum if the registration turns out to be invalid. Such might not have been be the case had the action been brought in the Federal Court. Similar considerations applied when the claim involved mixed matters of infringement, breach of contract, trade secrecy. Thus, the Federal Court was full of jurisdictional pitfalls that awaited the litigation strategists in all but the most straightforward cases. This situation has largely been resolved in trade-marks cases by reason of the very important judgment in *Asbjorn v. Horgard*.[31] In that decision, the Federal Court of Appeal upheld the constitutional validity of s. 7(b) of the *Trade-marks Act*. This section provides similar relief to the classic passing off action hitherto the provenance of the provincial court. Actually, s. 7(b) may be broader and more suitable for many plaintiffs, as there are fewer elements required to be proven.[32]

The concurrent jurisdiction of the Federal and Provincial Court system has given rise to litigation relating to the appropriate forum for disposition of intellectual property cases. At one time, it was considered that interlocutory injunctions were more readily obtainable in the Provincial courts in Quebec than in the Federal Court system. Patentees thus tended to bring their actions in that province whenever possible. However, in such cases, the defendant would seek routinely to impeach the patent by means of proceedings in the Federal Court, which has exclusive jurisdictions in such matters. The result would be two lawsuits pertaining to the same patent. The *Struthers* case is a good example of what can happen in such a situation.[33]

Another example of the consequences of an improper choice of forum in an intellectual property case is the *Formea v. Polymer*[34] decision, a case relating to the use of a patented innovation by a crown corporation and the application of s. 19 of the *Patent Act*. A motion was brought at the beginning of the trial to the effect that the impugned proceedings in the Supreme Court of Ontario had been taken in the wrong court for the wrong relief. Judgment on the motion was reserved. The case went on for 96 days on the merits. The motion was granted after the conclusion of the hearing on the merits. This decision was upheld by both the Ontario Court of Appeal and the Supreme Court of Canada. The plaintiff gave up at that point.

The jurisdictional issue of Federal v. Provincial courts is a complex one not capable of ready solution. It has only been partly resolved by Bill C-38, which amends several provisions of the *Federal Court Act*. That legislation, awaiting proclamation, would expand the jurisdiction of the Provincial courts by allowing concurrent jurisdiction in certain areas now exclusively federal. But it will not have a significant effect on intellectual property matters. The whole situation recalls to a certain extent the early days of English jurisprudence wherein the Common Law Courts, namely the Exchequer Court, the Court of King's Bench, and the Court of Common Pleas used various "legal fictions" to gain jurisdiction from and over each other. For example the legal fiction used by the Exchequer Court was that of *quo minus*; this entailed the artifice that if "A" could not pay taxes to the King because he or she was too impecunious by virtue of being still owed a debt by "B", the King would have jurisdiction over "B".[35]

I believe that forum shopping in Canada is less frequent today than it was ten years ago. The substantive law as to interlocutory injunctions has become more uniformly applied as between the Federal and Provincial systems. The Federal Court has continuously followed and refined the tests for granting injunctive relief outlined in the *American Cyanamid* decision,[36] even though it has its own problems of application. This has contributed to greater uniformity throughout Canada. The Federal Court has adopted a flexible approach to interlocutory injunctions in applying *American Cyanamid* in the authoritative case of *Turbo Resources Ltd. v. Petro Canada Inc.*[37] The Supreme Court of Ontario generally applies similar principles, as decided in *Yule Inc. v. Atlantic Pizza Delight Franchises.*[38]

While the Federal Court has not yet become a leading force in the evolution of substantive law in Canada, it has had a salutary and unifying influence and could assume greater leadership, over time, if allowed to further specialize, if given greater scope for case management, and with further time and resources for deliberation over decisions.

The goal of uniformity in the law is one of the purposes of having a Federal Court system, especially the Federal Court of Appeal. However, some duplicate actions still exist.[39] Moreover, neither the provincial courts nor the federal courts are particulary willing to stay an action in favour of another related action in the other jurisdiction simply because it involves some duplication. If a court has *in personam* jurisdiction over one of the litigants in a lawsuit, it is unlikely to exercise this jurisdiction in favour of a restraining order to enjoin the pursuit of a lawsuit in the court of another jurisdiction, although this step is not unknown.[40]

Threats to the Federal Court

At the time of writing of this report, there is a debate unfolding concerning whether the Federal Court should be abolished, or at the very least, have its jurisdiction severely curtailed. The impetus for this movement comes mainly from the former Attorney General of British Columbia.[41] Mr. Smith argued that jurisdiction over infringement actions involving intellectual property should be returned exclusively to the provincial superior courts for four main reasons. According to him,

1. For persons outside of major urban centres, commencing an action in the Federal Court is expensive and inconvenient.

2. Many counsel are unfamiliar with Federal Court practice and prefer to bring the matter in local courts where the procedure is familiar.

3. Experience has shattered the myth that "intellectual property" issues are somehow more difficult than other types of cases and that specialist judges are necessary to deal with these issues.

4. Where common law causes of action are involved (such as passing off claims), the Federal Court has no jurisdiction and therefore another action may need to be commenced in any case in a provincial court to resolve all matters.[42]

He also suggests that "the constitutional constraints on the Federal Court's jurisdiction render it inadequate and superfluous in respect of complex litigation".[43]

With respect, these points are readily refutable. The first two points are related, as noted by the brief itself. It is a rare event that a litigious matter involving intellectual property arises and calls for litigation involving parties and events located outside of or far from one of Canada's large centres.

This is because ownership, exploitation and management of intellectual property rights tend to occur, for better or worse, in or near our large centres. Moreover, there are very few expert counsel in intellectual property matters outside these large centres. This simply reflects the lack of demand for their services outside of such centres and serves to reinforce the point being made.

The interest of the parties must remain the paramount interest. It has been my experience that the parties involved in intellectual property matters prefer a decision maker versed in the principles applicable to such matters. Few judges of the Superior Courts of the provinces have the luxury of the time required to meet the need for reflection and deliberation on a complex patent case.

On the question of expertise, in my view experience has reinforced the need for judicial expertise. Whether intellectual property cases are more or less difficult on average than other matters is perhaps a debatable point, but the fact is that they are very specialized in nature both as to matters of fact and law. Neurosurgery may or may not be more difficult than heart surgery; what is indisputable is that they are quite different from each other and require differing specialist skills. Similarly, the factual and legal issues in patent cases, particularly, require some specialized experience. In trade-mark and industrial design cases, and more and more in copyright, it is the law that requires specialized skills. There is nothing worse than having a case tried by participants who don't know and don't know that they don't know how intellectual property laws have developed in both a domestic and international context in a long historical tradition. In intellectual property cases, an application of what would at first blush flow from the black letter of the law as written may take on a different colour in an historical context. An absence of knowledge of these aspects of the law can often lead to unusual and unhappy results. I have found that judges of the provincial courts tend to prefer that patent cases be tried in the Federal Court and have so stated this preference.

The fourth point about split jurisdiction is the most telling. No one wants to be seen to encourage forum shopping or needless complexity. The Honourable Mr. Smith's proposal is ironic in that it might actually foment jurisdictional and forum shopping. For example, a litigant seeking to uphold the validity of a patent relating to farm machinery would likely wish to avoid choosing a court in one of the western provinces, if this could be avoided. Given that the Canadian head offices of most major litigants are likely in one of three or four major Canadian centres, these locations are where most intellectual property litigation is likely to be conducted in any case. Moreover, it is no more logical to suggest that the Federal Court merge into the Provincial system than vice versa on this particular point. Why not provide that the Federal Court have jurisdiction to hear any claims related to, arising from, or in the alternative to any *prima facie* valid federal matter? True, this might require constitutional amendment.[44] But it will just as conveniently resolve the multiple forum issue. Furthermore, the Federal Court has exclusive jurisdiction over *in rem* issues involving validity of patents, and expungement of trade-marks registrations and certain other matters relating to administrative aspects of the intellectual property system. The former Attorney General of B.C. suggests that such matters remain under federal jurisdiction but be dealt with by a specialized federal administrative appellate tribunal or tribunals. However, with all respect, this suggestion calls to mind the comment of Shakespeare that "That which we call a rose by any other word would smell as sweet".[45] Surely, an appellate review tribunal or tribunals for the vast number of federal administrative boards would end up resembling the existing Federal Court in all but name. In any case, there is indeed merit in the idea of a specialized review tribunal for intellectual property matters for other reasons and this will be discussed below.

Moreover, on the multi-jurisdictional issue, it should be noted that the Canadian situation pales in comparison to the jurisdictional minefield in the U.S.A. This is especially the case from the defendant's viewpoint. It has recently come to light through the GATT Panel hearing on the notorious "Section 337" of the U.S. *Trade and Tariff Act of 1930*, as amended,[46] that this section discriminates against importers into the U.S.A. who are subjected, in effect, to "double jeopardy" and other unfortunate jurisdictional consequences due to the way the section operates. The section allows U.S. patentees to obtain exclusion orders barring imports of allegedly infringing products into the U.S.A. However, this Tribunal does not have the full powers of a court and operates in such a way as to favour the plaintiff applicant. For example, the applicant has unlimited time to prepare a case, but once commenced, the Tribunal is bound to dispose of the case completely within one year. This can be a major hardship on the defendant. Moreover, the defendant in a s. 337 proceeding cannot counterclaim or impeach the patent in this forum. The defendant is forced to commence other proceedings in the District Court at considerable expense and inconvenience in order to have all issues appropriately considered.

In Canada, the vast majority of infringement cases involving intellectual property rights are dealt with in the Federal Court.[47] There are special Federal Court Rules for intellectual property cases, i.e. Rules 700-706. These rules take into partial account some of the particular exigencies of intellectual property cases. One example is the summary proceedings for expungement of a trade-mark. But, these special rules may not be sufficient to deal with many other unique aspects of intellectual property litigation. Experience has shown that these rules may need to be reexamined with a view to dealing with the new substantive amendments in the *Patent Act* and the *Copyright Act*.

USAGE OF THE COURTS

The question arises as to the extent to which the courts are used for intellectual property matters in Canada. Our research indicates that there is a surprising amount of actual litigation taking place in Canada in the realm of intellectual property. The result is surprising because of Canada's reputation as a relatively non-litigious forum. In 1989, for example, there were about 130 decisions of the Federal Court Trial Division, in intellectual property matters. Approximately 440 intellectual property proceedings were commenced that year in that court. (see the Appendix material.). Not all of these matters were reported, but this is still a large number. The real issue is to what extent this number represents the tip of an iceberg in terms of disputes that were serious enough to warrant the involvement of counsel but did not result in a judicial determination because they were settled out of court, by arbitration, or by some other disposition.

The number of such "contentious" matters that did not result in court cases is impossible to determine with accuracy, partly due to definitional issues and partly due to the lack of any apparatus to collect such information.[48] I am of the view that there are approximately five disputes that are resolved by lawyers prior to the institution of any formal proceedings for every dispute that results in a court filing. These matters are sometimes resolved fairly quickly, but sometimes are quite complex and lengthy. They do not become part of any official statistics.

In regard to statistical matters, it was determined during the course of research for this report that it is difficult to gather some of the statistical data that could be useful in analyzing in depth certain aspects of the Federal Court's activities. This comment is not to be taken as a criticism of the officials of that institution; on the contrary, they were very cooperative. It has been my experience and the experience of others with whom I have discussed the matter that the officers and employees at the Registry Offices in each of the locations of the Federal Court in Canada are cooperative and courteous in the manner in which they deal with members of the profession and the public.

These officials are willing and do assist those who are not familiar with some aspects of Court practices in the filing of documents and in their preparation for the Court. However, a means should be found and increased resources should be made available, if necessary, in order that these officials be able to gather more meaningful statistics for the use of the profession and government policy makers.

Specialized Courts

The question arises as to whether we have in Canada reached a point where we should consider specialized decision making mechanisms. This question could involve consideration of a specialized court to deal with matters of infringement, validity and related issues in industrial and intellectual property matters. In this regard, the impact of patent/trade-mark/copyright/industrial design/unfair competition matters might give special emphasis to a reconsideration of the appropriate court structures within the federal system for the subject matter. Another alternative may be the establishment of a new court or tribunal to deal with industrial property matters.

A specialized court for patents, and other industrial property rights, is not a new concept. England and Germany have had such courts for some years.[49]

There is growing support for such a trial court in the United States. There is pressure for such a court in France. There is now, in effect, a specialized "Patent Court" at the appellate level (the Court of Appeals for the Federal Circuit) in the U.S.A. A Wall Street Journal article recently recorded that such pressures exist stating that "in an age of specialization, the federal judiciary is one of the last bastions of the generalist".

Madame Justice Barbara Reed has recently examined the issue of specialization and offered her view that there should be "Specialization if necessary but not necessarily specialization... ."[50]

Many years ago, my esteemed late friend Dr. Fox suggested that a great improvement to the patent system could be effected by giving much greater attention to the examination of patents, in order that they not be so liable to impeachment by the courts. After cautioning that this might "eliminate much of the emoluments which the lawyer finds so pleasant", he added an alternative proposal

> "that is that at least a proper tribunal should be set up for the determination of questions involving patents and allied subjects, and that this should be presided over by men educated not only in the law but in science. In the Courts of Admiralty it is customary to have officers known as assessors, who assist the Court in the technical details of questions relating to shipping. It seems to me quite proper that in a tribunal of this sort the court should be empowered and directed to call to its assistance in any particular case assessors well qualified in the art to which the invention relates. These are proposals which, of course, are, under our present system, an ideal dream. But some time in the future, a brighter day may dawn when the concerted actions of trained and skilful men will not be swept by the opinion of a layman, without scientific qualifications." [51]

Dr. Fox's impetus for the establishment of a specialized court may have stemmed in part from his concern that, at that time, more patents were held invalid rather than valid by the courts.[52] This situation is no longer true, since more patents are now upheld than impeached by the Federal Court.[53] Naturally, the question of validity of patents as considered by the Court is a complex one, depending on the quality of examination, the mood of the Court, and the evolution of the law. All of these trends are, in turn, somewhat cyclical and, to that extent, may be said to be partially irrational. However, it seems rather obvious that the best patent system, and indeed overall intellectual property system, would be best achieved by having the best possible examination and other operational considerations along with the best possible court and policy making apparatus. Surely, one need not settle for excellence only in one facet. More often than not, we have been short of excellence in all facets of the system. Perhaps the time has finally come, more than 40 years after Dr. Fox's remarks, that we can dream of an efficient decision making structure to oversee much of this system. This will be discussed in much more detail below in Chapter VIII in the context of a proposed new Intellectual Property Tribunal. However, for reasons which will be elaborated below, I do not favour the creation of a specialized superior court as such or even a specialized division of the Federal Court at the present time.

The delays and costs inherent in the litigation of industrial property rights have been a constant and continuous source of complaint against Canada's judicial system. Unevenness of decisions is also a problem in an area of law where certainty is important. The complaints have been the loudest from the small business section of Canada's industrial and commercial community and are particularly directed at the manner in which patent cases are tried.

The typical lawsuit in intellectual property matters lasts about three years from the time the action is commenced until judgment. This does not take account of negotiations that may and usually do precede the commencement of the formal lawsuit or the appeals that may follow. The appeals can easily take another three years. Why do actions and appeals take so long? The main reason is usually that one or more of the parties is bent upon full and in depth discovery of the other party or parties. That issue will be dealt with below in more detail.

Another problem endemic to Canada is the relative paucity of jurisprudence in intellectual property matters. This partly results from the phenomenon that Canadians may be less litigious compared to others. (Note however, the Appendix material shows that we are proportionately more or less just as litigious as Americans). Also, we are a much smaller country. The result is that in many cases, we simply do not know what the law is in Canada on some basic and fundamental questions that are well understood in other jurisdictions. For example, we have few cases defining fair dealing in copyright or abuse in patent law, while there are hundreds of cases dealing with such matters in U.S. law. The problem of the relative lack of jurisprudence is slowly correcting itself as intellectual property assumes a greater profile in Canada. We should promote this evolution by encouraging judges to continue to provide written reasons in intellectual property cases.

JURY TRIALS

In the matter of jury trials in intellectual property matters, Canada's practice differs substantially from that of the United States. In Canada, there cannot be a jury in a Federal Court trial.[54] Juries are permitted under the rules of most of the courts of the provinces, but are rarely if ever used in intellectual property matters. This is because Anglo-Canadian courts have long eschewed the use of juries where complex legal and technical or scientific matters are involved. However, we are seeing that tradition change in medical malpractice actions and it may so change in intellectual property matters. Certainly, if I were representing David as a plaintiff in a good case against a Goliath, I would be very tempted to consider a jury trial. Jury trials are very common in the U.S.A. in these matters. The downside to them is that juries are even less predictable than judges. There is a real risk that members of a jury will not understand complex technical matters. The length and cost of the trial is protracted. In my opinion, the use of juries to decide intellectual property cases runs counter to the purpose of this study.

ALTERNATIVE DISPUTE RESOLUTION

Alternative dispute resolution (ADR) has a definite place in the litigation system. In sophisticated litigation, it has already assumed an important and growing role. It offers a mechanism for dispute resolution that has advantages, particularly in intellectual property cases. These advantages include speed, confidentiality, expertise and flexibility not generally found in the court system. The growing use of arbitration is a market response to a failure by the courts to deal effectively and efficiently with certain types of situations.

There are two major advantages of ADR that should be singled out in this context and will again be referred to below in Chapter V. One obvious disadvantage from the standpoint of the public is the largely private nature of arbitration. If the parties wish, the award and reasons can be kept confidential and do not therefore contribute in any direct way to the establishment of jurisprudence.

The first advantage concerns the question of the adjudicator's substantive expertise. If the judge under the present Federal Court system is not particularly expert in the subject matter from a legal or technical standpoint, he or she must be educated in these matters, at the time and expense, of course, of the parties to the litigation. In some types of intellectual property litigation, this can involve not only difficult legal issues but immensely complex technical issues as well. This is particularly so in a patent case. The problem becomes particulary acute if there are many motions or procedural steps en route to a trial and different judges become involved on each motion. A different judge must be educated each time to a certain extent on the technical background of the case. This problem does not arise on matters to be decided upon by arbitration. In any event, this problem can, in my opinion, be minimized by the court itself with a better system of case management.

In arbitrations, the parties deal with one arbitrator or one panel of arbitrators throughout the proceedings. As indicated, in a court proceeding, numerous judges become involved in the procedural phase. At the same time, there remains the question of which if any of the judges involved in the pre-trial motions will ultimately be the trial judge. Curiously, the identity of the trial judge is not known in the Federal Court until the judge actually walks into the court room. This is in accordance with a deliberate policy. But is it wise? If counsel knew their judge, they could better estimate what type of preparation is required. A new member of the court will require a different opening statement than a judge experienced in technology and patent law. A cynic might also say that such a system might lead to a greater number of settlements, a policy in the public interest and not against it. Alternative dispute resolution as a mechanism to resolve intellectual property disputes can have the collateral advantage of relieving the Court of time consuming factual issues.

What can the Federal Government do to promote alternative dispute resolution? It has already in 1985 enacted statutes that give a footing and legitimacy to ADR through enforceability of arbitration awards that follow the specified procedures.[55]

However, many parties to potential litigation are completely unaware of the advantages of alternative dispute resolution mechanisms. This may also be true of some counsel. I am of the opinion that the government can play a leading role in this issue through a system of education on matters applicable to alternative dispute resolution. More will be said about this subject in Chapters III and V.

CHAPTER I – CONCLUSIONS/RECOMMENDATIONS

THE OVERALL LITIGATION SYSTEM AS IT NOW STANDS

I. There is an indispensable role in Canada for the Federal Court. This role includes jurisdiction in intellectual property cases.

II. Rather than weaken and dilute the Federal Court, Canada should encourage expertise in this Court, particularly in the field of intellectual property.

III. A means should be found for the Federal Court to gather and make available more useful statistical information on its activities.

IV. There should be disclosure in advance of the hearing of the composition of the Court hearing a particular case.

V. Judges should be encouraged and given appropriate resources for research so as to enable the rendering of more frequent and better quality of reasoned decisions.

VI. Canada does not yet need a specialized superior court with full jurisdiction in intellectual property matters; however, consideration should be given to encouraging greater expertise and education in the present system.

VII. Consideration should be given to a greater use of alternative dispute resolution mechanisms for decision making in intellectual property matters to take the burden off the Court and to assist the Court. See also Chapter V.

CHAPTER II

WHY IS LITIGATION SO EXPENSIVE?

The late Harold G. Fox, Ph.D., Litt.D., LL.D. was one of Canada's foremost practitioners, scholars and authors in the field of intellectual property law. He adapted the story about J.P. Morgan's famous response to the question about the cost of Morgan's yacht. Dr. Fox would say: "If you have to enquire about the cost a patent law suit, you cannot afford it."[56]

The author has been fortunate to have had the opportunity to have been counsel in a wide range of litigation matters over a long period of time, ranging from tax, customs, judicial review, malpractice, commercial, constitutional, combines, and intellectual property matters. Based upon this experience, and that of my partners, I can safely say that, by and large, it is the intellectual property cases that tend to be the most technical both in terms of the factual subject matter and the law itself. In a nutshell, that is why they are so expensive to litigate.

Why is this so? The main reasons involve the complexity of the facts and the technical nature of the law, the overzealous pursuit of the discovery process, the extensive use of procedural motions, the premature examination of issues related to damages when liability has not been determined, and the extraordinary reliance upon expert testimony, particulary in patent cases.[57]

However, if it is any comfort, it seems that the cost of litigation in the U.S.A. is probably, on the average, about 5 to 10 times higher than in Canada per law suit. It is reasonably common for a patent lawsuit to cost a six figure sum in terms of fees and disbursements in Canada but very rare for it to exceed one million dollars. However, it is quite common for patent law suits in the U.S.A. to cost over one million dollars per party in legal fees. There is far more costly litigation proportionally speaking in the U.S.A. than in this country. Nonetheless, there are some useful lessons to be learned from the U.S. system, but we must choose the positive points with care. Some comparative statistics are presented in the Appendix.

COMPLEXITY OF THE FACTS

Patents, by their very nature, for the most part, involve issues and inventions at the leading edge of technology. Most cases involve difficult questions of interpretation of the patent itself, the prior art, and the alleged infringing subject matter. The court must be placed in the position of one "skilled in the art" and this usually involves expert evidence. However, in respect of patents that are relatively easy to understand, the necessity of expert evidence does not exist and a more judicious approach towards this aspect of patent cases is warranted.

Expert evidence is becoming increasingly vital to copyright cases as well, particulary those dealing with computer programs, which until very recently were a completely foreign concept in copyright law.

Expert evidence has long been a part of trade-marks litigation, insofar as the creation and interpretation of survey data is concerned.

COMPLEXITY OF THE LAW

Patent cases are not limited to infringement actions. In recent years,[58] there have been many proceedings in respect of compulsory licensing of pharmaceutical patents and appeals from decisions of the Commissioner on patentability and entitlement in conflicts between applicants. However, actions for infringement involving invalidity issues predominate.

Patent cases tend to fall into fixed stereotypes. These stereotypes relate to: subject matter (i.e. categories defined in s. 2 of the *Patent Act*); novelty and inventive step as required by that section of the Act (i.e. if the alleged invention is not new at the date of invention, there is no need to assess whether the degree of advance in the art is inventive); utility (i.e. whether the invention will operate or covers inoperative subject matter); statutory defences (including prior publication or prior use or late filing as found in s. 27 of the *Patent Act*); sufficiency (i.e. whether the specification enables a person skilled in the art or false promise as required by s. 34 of the Act); avoidable ambiguity (as required by s. 34(2) of the Act); and infringement whether textual or by way of substance.[59]

Trade-mark cases can involve a recitation of involved facts relating to long historical use or a chain of title. Issues of distinctiveness, secondary meaning and likelihood of confusion often depend on expert survey evidence.

In copyright cases, issues of plagiarism often require very complex technical considerations.

DISCOVERY

Under the Federal Court Rules, a party must initially disclose only those documents on which it intends to rely.[60] However, the other party can routinely obtain an order to compel full discovery of all documentation at all relevant to the case, whether or not it is in the interest of the disclosing party.[61]

In my opinion, it was not intended when these rules were developed that Rule 448 allowing for unlimited production and discovery was to be used routinely. It was recognized that an order under Rule 448 would place an obvious burden on the party against whom the order is made. This was made clear by Chief Justice Jackett in his manual of Federal Court Practice in 1971.[62]

In a patent infringement lawsuit, for example, this type of discovery can result in a staggering amount of paperwork and legal costs. One party will wish to explore all steps leading to the invention. The other party will wish to have access to any and all documentation concerning marketing strategy, sales, forecasts, distribution arrangements, etc. in order to assess issues related to damages. None of this will bear directly on the question of infringement, and may only relate inferentially to validity (as to commercial success). But an order for discovery under Rule 448 will normally be granted in any case. In a typical lawsuit, this can result in literally hundreds of banker's boxes of material, that must be examined in detail by counsel of all parties. This examination can take weeks, and involve several highly paid lawyers. It can lead to interminable oral discovery. But it also involves a considerable amount of time and resources of the parties themselves. A patent lawsuit can cause havoc in the corporate realm of a party, particulary a defendant. Clearly the impact is potentially even more serious on smaller defendants.

It is not at all unusual in an intellectual property case involving multinational companies doing business in both Canada and the U.S.A. for there to be over half a million documents produced at the discovery stage, only a tiny percentage of which are ultimately used or are relevant at trial.[63]

Often as not, these complex patent actions are ones involving "Goliath v. Goliath" and the question of costs is not a critical one for the litigants, who can well afford the high costs involved. However, a smaller litigant can easily be crippled by these enormous costs and thus will often be forced, if a plaintiff, to settle for an amount that is far too small or to abandon a claim, and, if a defendant, be vulnerable to being put out of business by litigation costs, whether or not the action is meritorious.

The Rules proposed to be adopted by the Federal Court relating to full disclosure may go too far. The new Rules 448 (2)(ii) and (iv) impose a draconian obligation on the party making disclosure. The first Rule requires the party to make a list and describe all documents relevant to an issue which are or were in the possession, power or control of the party. In a patent action, the development of such a list may be a tremendous task. The second Rule requires that the party make a list and description of all documents which the party believes are in the possession, power, or control of a person who is not a party to an the action. In a complex patent action, this Rule may impose, as a practical matter, a heavy burden which could create problems of compliance. The new Rule should be monitored to determine if the pendulum of disclosure has been pushed too far.

Another troublesome aspect of discovery is the issue of third party discovery procedures. Should a plaintiff be able on a routine basis to require third parties to disclose all relevant information? An example might be that of naming retailers of a product involved in a patent infringement action. This can be a needless expense to other parties in the lawsuit, who must, at the very least, monitor such developments. It can jeopardize business relationships. It is certainly an unwelcome inconvenience to the third parties in most cases. It is recommended that third party discovery should be permitted only on an exceptional basis by an order of the court, where it is shown to be necessary for the disposition of an issue in a case.

These issues involving discovery have a particular irony, in that production of documents is ultimately a question of honesty of the parties. Apart from the cases that fall within the scope of an Anton Piller order (e.g. blatant counterfeiting), nobody suggests that litigants be empowered, as is the government in tax or combines matters, to enter premises and search for incriminating documents.[64] But, is all of the vast panoply of full discovery worth the cost when "smoking gun" documentation may well be withheld by unethical persons? True, there are remedies against persons who are involved with litigation who do such things, especially counsel who are party to such an act. Yet, it does occur.

Although discovery is designed to help expedite settlement or reduce the time to be taken at the trial or to lessen the element of surprise in the courtroom, I suggest that the process has become so convoluted, time consuming and tedious that it scarcely seems that it is any longer productive. The Federal Court is becoming increasingly impatient with lengthy motions requesting an order for better answers on non-important issues.

In this regard, the Federal Court has recently begun to require counsel to provide written briefs on motions to compel better answers. These motions were formerly rather routine. The written briefs will add another potentially major element of cost and time to the discovery process.[65]

It seems that what is needed is a tightening of the Federal Rules that require immediate full disclosure of all documentation relevant to the issues pleaded. There should be a separation of issues relevant to the merits and those relevant to the relief sought. This practice should be the rule, not the exception. Such separation should also normally apply to discovery as well. Why permit discovery related to damages and accounting of profits until there is a determination of liability? Moreover, third party discovery should be permitted only in very exceptional circumstances, such as when relevant pertinent information is simply not within the knowledge of one of the main parties to the lawsuit.[66]

Other paths to explore might include using the British system of written interrogatories. The Quebec system of allowing all of the discovery transcripts to be introduced in evidence at trial is also quite intriguing for our purposes. In the Federal Court and the other provinces of Canada, discovery transcripts are normally only admissible insofar as they serve to contradict the testimony of a witness from the opposing party. The Quebec system tends to result in much shorter transcripts since examining counsel are loath to ask questions, the answers of which will not serve their client's interest. On the other hand, such a procedure inhibits the exploration of relevant factual information that is uniquely within the knowledge of the party being examined. This could defeat the purpose of discovery, which although overused in intellectual property cases, still has a place.

Finally, there should be a more affirmative duty of full disclosure. This will result in greater cooperation of the parties with each other and the court and should result in greater expedition of cases. Where there has been inadvertent or negligent withholding of information or documentation, costs would be used to penalize the party at fault. However, where the withholding is deliberate, the court should not hesitate to use its powers of contempt. In the recent decision of *Diversified Products Corp. et al. v. Tye-Sil Corp Ltd.* (1990), 30 C.P.R. (3d) 324, the senior Prothonotary imposed solicitor-client costs against a party withholding documents. The Prothonotary's decision was affirmed by Reed, J. (1991), 32 C.P.R. (3d) 385.

Furthermore, provisions as to costs could be used to discourage needless discovery. For example, it might be provided that discovery procedures that at any stage appear to be unwarranted or do not result in relevant production should result in an immediate requirement to pay costs forthwith in any event of the cause. Costs in the cause in the case of a motion clearly without merit or where the resistance of a request is purely arbitrary only encourages such practices.

POTENTIAL ABUSES IN PATENT CASES UNDER RULE 465(5)

Rule 465(5) of the Rules of the Federal Court permits a party defendant in a patent, copyright, trade-mark or industrial design case to examine an assignor of the industrial property right.[67] Accordingly, defendants in a patent infringement action will seek to examine an inventor, assignor where, in many cases, the inventor is a resident of the United States. The inventor in such a case is generally an employee of a United States company. He is therefore outside the jurisdiction of the Federal Court.

The potential for abuse, which is becoming increasingly manifest arises from a decision of the Federal Court of Appeal in the case of *Sternson Ltd. v. C.C. Chemicals Ltd.*, (1981) 58 C.P.R. (2d) 145. In that case a defendant in a patent infringement action pleaded that the patent was invalid. In support of that plea, it sought to obtain the evidence of an inventor resident in the United States. The defendant invoked the jurisdiction of a United States District Court Judge under Title

28, U.S.C.A., s. 1782 to require by subpoena issued pursuant to an order of that Court, the attendance of the inventor for examination for discovery in the Canadian action. The inventor was not a party to the Canadian law suit. No order was obtained from the Federal Court for the issuance of Letters of Request to the United States District Court. The plaintiff, patentee, applied to the Trial Division of the Federal Court for an order restraining the defendant from pursuing the examination for discovery.[68] Cattanach J. granted an order restraining the defendants from proceeding with the examination of the inventor in the United States. He held that the proceeding is one completely within the jurisdiction of the Federal Court. However, an appeal from this decision was allowed by the Federal Court of Appeal. The Court indicated that while the Federal Court of Canada has the jurisdiction to enjoin the enforcement of an order of a foreign court in respect of a proceeding in the Federal Court of Canada, it would only be exercised "in a proper case". It found that there existed no inherent reason to interfere with an order issued in the U.S. pursuant to Title 28, U.S.C.A., s. 1782 allowing the discovery of a non-resident assignor of a patent which is the subject matter of proceedings before the Federal Court of Canada.

I would suggest that the decision, if followed as a general rule, results in the Federal Court losing control over a significant part of pre-trial discovery and over the proceeding generally.

There are many differences between the procedure in the United States District Court and that in the Federal Court. For example, objections are merely noted on the record in the U.S. with the witness then answering the question (subject to privilege) whereas, in Canada a question subject to objection will not be answered until ordered by the Court. The defendant will delay the Canadian proceedings until the inventor has been examined in the U.S. and use information obtained in that jurisdiction that might well be refused in a Canadian discovery.

The Federal Court has ruled that only one of the co-inventors may be examined under Rule 465(5). There is no such restriction under the U.S. discovery rules. Under Canadian Rule 465(19) a litigant requires Court approval before reexamination. U.S. section 1782 can be invoked to examine several representatives of a corporation.

Documents unavailable to the parties under the Canadian rules may be available under the U.S. Rules of Procedure. Further, the U.S. Court could order the production of documents from individuals or corporations who could not be examined in Canada.

Perhaps the greatest potential for abuse is that the U.S. Court will be deciding issues relating to the Canadian action, which should be decided under Canadian law, in the total absence of supervisory control by the Canadian Courts.

The use of a U.S. discovery of an inventor at trial has been denied in some cases. It has been argued that the decisions are not conclusive. A concern has been expressed as to the applicability of s. 23(1) of the *Canada Evidence Act* relating to the use of evidence obtained in previous proceedings. It is argued that the U.S. procedure is not part of the Canadian action, and that the evidence might be available at the trial. In such event, the rules of the Federal Court as to discovery, arguably, could be circumvented.

The risks to Canadian litigants is forum shopping, uncertainty, delay and costs. The Rules should be clarified to ensure Canadian control of the process of a Canadian action.

SERVICE ABROAD

The Federal Court has drafted several new Rules which are to be substituted for those now in force. It is too early to determine the impact of the new Rules on the costs of patent and other intellectual property litigation.

There is, however, one Rule that warrants a specific comment at this time. New Rule 307(5) contemplates that service of pleadings abroad will be required to be made in accordance with the Hague Convention on Service Abroad. This new Rule appears to impose an obligation to effect service following the law as to service in the country where service is to be effected. The law as to service abroad will not be uniform. Some countries have simple requirements as to service. Others have very rigid requirements. Translations will be required to be served. It is apparent that impleading of non-residents will involve significant further costs. The magnitude of these costs should be monitored to determine if the provisions are cost effective. In any event, the procedure as to service abroad is now outside the control of the Canadian court itself.

COURT REPORTERS

One must not overlook the impact Court Reporters have in any consideration of delay and costs in a court structure. Happily, the system in place in the Federal Court of Canada operates effectively.

Discovery, under Rule 465(6), may be conducted before any examiner, who may be a) the prothonotary, b) a judge, c) some person ordered by the Court, or d) a person agreed upon by the parties who may be the verbatim reporter.

In practice, examinations are nearly always conducted before the Reporter. There is not an "Official Examiner" for the Federal Court of Canada, and as such, any Court Reporter can be retained by a party to conduct the discoveries which results in free market forces being in place to achieve quick turnaround. In addition, a large pool of reporters is available to choose from. This large pool encourages competitive services to be provided.

For trial, the Court arranges for the reporter to be present, but again, the Court may choose from a wide pool of independent Reporters, thus ensuring quick availability and good service through competitive forces. The Court pays for the first three days of the Reporter's time with the remaining days being split between the parties which has the added benefit of discouraging lengthy trials.

As the Reporters are independent contractors to the Court, each party may independently arrange with the Reporter to have daily transcripts or expedited transcripts to meet the specific needs of each case. In the result, Reporters are available and transcripts for appeals are not unduly delayed, so that appeals can be set down in a timely manner.

INTERLOCUTORY INJUNCTIONS

The well-known decision of the House of Lords in *American Cyanamid Co. v. Ethicon Ltd.* (1975), A.C. 396 was applied by the Federal Court of Appeal in *Turbo Resources Ltd. v. Petro Canada Inc.* (1989), 24 C.P.R. (3d) 1. These two cases have set the pattern for interlocutory injunctions in the Federal Court.[69]

The test to be applied relates to the strength of the applicant's case dictating whether a strong *prima facie* case must be shown, or whether the applicant need only show that the cause of action is not frivolous. Except where the applicant's case is clear (such as where there is a clear case of copying in a copyright case), the Court will consider whether the respective parties will suffer irreparable harm and then where the balance of convenience will lie. The Federal Court of Appeal made it clear that the elements are not to be treated as mechanical steps to be followed slavishly. They are to be treated as guides for particular circumstances in individual cases.

The Court in the *Turbo Resources* decision recognized that in some cases the interlocutory proceeding may be determinative in a disposition of the action.

In many trade-mark cases the application for an interlocutory injunction will lead to a full exploration of the facts. The interlocutory injunction may well dispose of the litigation or alternatively ought to dispose of the litigation. In such a situation, if the three elements applicable to an interlocutory injunction are followed too rigidly, the case is decided on issues extraneous to the issues applicable to the real rights of the parties. In other cases, the parties may be forced to a trial on the merits unnecessarily. Where the interlocutory application decides the issue, an undertaking by the successful applicant is meaningless.

It is suggested that consideration should be given to the development of a process where in an appropriate case the interlocutory application may be converted into a case determining the real rights of the parties. This opportunity should be available to the parties on consent. Consideration might be given to a procedure where one party could call upon the other to consent. A refusal to consent could weigh with the trial judge in exercise of his or her discretion as to costs.

A party who considered that it was necessary to explore the factual circumstances further because of the expeditious nature of an interlocutory injunction application would not consent.

The purpose of establishing a mechanism to convert the interlocutory application into a determination on the merits would be to enable the real rights of the parties to be determined quickly and to avoid unnecessary and costly duplication of proceedings.

DAMAGES AND ACCOUNTING OF PROFITS

In patent and trade-mark litigation, the successful plaintiff can elect between receiving damages and an accounting of profits. In particular cases, the results can be quite different. However, in copyright law, the plaintiff can receive both. This can be draconian and ought, perhaps, to be reconsidered.

Delivery up of infringing products is also available, as an equitable remedy to enable an injunction to be enforced. If an infringing article can be rendered non-infringing, this step should meet the requirement of delivery up. For example, if a fuel injection pump in a car is infringing, it should not be necessary to deliver up all of the cars containing such a pump, provided that the allegedly offending pump can be removed and another substituted. Alternatively, the pump itself may be redesigned to render it non-infringing. This position should be made clear by statute and should apply in all areas of intellectual property law.

The power of an injunction must not be overlooked, because it is sometimes the ultimate remedy.[70] This is especially the case if it gives the plaintiff the power to halt the operation of a large factory, utility or other organization dependent on patented technology that may be a vital part of its capital equipment. In respect of interlocutory injunctions, the present practice of requiring an undertaking as to damages and the posting of a bond would appear to be an adequate safeguard against the grant of an injunction obtained in an action that later fails. The court has a discretion whether to order an inquiry on the undertaking.

In most lawsuits, damages will, of course, ultimately be sought by a successful plaintiff or a defendant by way of counterclaim. This is the case notwithstanding the fact that in many intellectual property matters, it is really an injunction that is the goal of the plaintiff, and thereafter, damages become somewhat of an academic exercise in some cases.

In the past, successful patentees tended to be satisfied with an injunction as the ultimate goal. An injunction could protect the market in Canada for a patentee. More recently, very large awards for damages or by way of an accounting for profits have resulted in patentees pursuing their claims for monetary entitlement more vigorously. This may be due in part to the publicity surrounding such large scale lawsuits in the US as *Kodak v. Polaroid*[71] in intellectual property and the enormous treble damage claim in the litigation involving Penzoil and Texaco.[72] In Canada, however, our courts still apply the principle that relief should be compensatory rather than punitive, although there are more and more attempts to obtain punitive damages. Most are without much success. As the stakes get higher, the risk is that litigation costs will follow suit.

However, it is often the case that an enormous amount of lawyers' time and fees, not to mention the court's time, is consumed over the issue of damages when the plaintiff ultimately loses the case on the question of liability.

In principle, this should not happen. Rule 480 of the Federal Court Rules allows for the dividing out or "bifurcation" of issues relating to liability and damages. However, the court is now declining to allow for bifurcation unless all parties to the action so agree or unless there is a compelling reason.[73]

This practice will surely add to the expense and complexity of law suits. Moreover, when counterclaims for antitrust or abuse of dominant position start to come forward in Canada, I would suggest that these should also be dealt with on a bifurcation basis as is the case in the U.S.A.[74]

There are new rules already proposed to deal with the issues of production and discovery (Rules 447 and 448) and third party examination, but these rules may exacerbate rather than alleviate the problems alluded to above.[75]

ASSESSMENT OF DAMAGES - ACCOUNT OF PROFITS

The assessment of damages or the accounting of profits in an infringement action can involve difficult evidentiary, accounting or legal issues, often requiring the expert evidence of accountants and other specialized professionals from various disciplines. The exercise need not, and perhaps normally ought not, take place before the judge who heard the technical evidence on the merits. In recent years, the assessment has been referred to the Federal Court prothonotaries for assessment in many cases and this is a salutary development. The only downside is that it can add an extra level of appeal where the award is likely to be disputed. As the law becomes more developed and refined, there ought to be less and less reason for appeals.

It would be useful to institutionalize this practice by making such a reference a requirement except where there are shown to be significant matters of law, accounting, or evidence in issue.

CASE MANAGEMENT

There is surprisingly little management of cases in the Federal Court in terms of direction by the court as to the most efficient and expeditious means of making the system productive. This is particulary remarkable when one thinks of the collective talent and management expertise normally involved in any litigious matter, taking into account the senior officers of the parties themselves, the partners in the law firm and the judges that are all involved in the matter. What is needed is a guiding mind to ensure that the matter is dealt with expeditiously and efficiently.

There is a movement afoot in several districts in the Ontario system to institute and institutionalize case management.[76] However, many of the draft procedures are so complex that they might hinder more than help the problem. This is especially so, given the clear move towards a unified and simplified court system.

Case management, if left in the hands of the parties, is an invitation for delay. As long as the system permits, counsel cannot be faulted for making legitimate use of the system for their client's best interests, even when this entails a delay in proceedings. To be quite candid, one cannot count upon counsel, no matter how honourable, to jointly ensure that cases are efficiently managed. Normally, it is in a plaintiff's interest to expedite and a defendant's interest to delay. However, sometimes, the tables are turned and the defendant, if its case is strong, will want the expeditious resolution. The point is that the parties themselves cannot be counted on to ensure efficiency in the handling of a case. The court has an interest in ensuring efficiency and will likely do so. Recent experience involving the Competition Tribunal shows, if the mandate is given to the tribunal, it will be exercised in favour of expediency and quick resolution. Sometimes, in fact, both parties may be content to drag matters out, but there may be an overwhelming public interest in resolving a case due to certain issues being raised. The Competition Tribunal has recently forced matters to proceed according to a schedule determined in advance.[77] Where there is a great public interest in resolving important questions of law or jurisdiction, such as constitutional questions, a tribunal can refer a matter directly to the Federal Court of Appeal. This procedure should be used more often and a similar provision should apply in regular actions.[78] Again, management by the court in a flexible process could more readily ensure that the goals of expedition and efficiency will be achieved.

By appropriate case management, the court can set a schedule which will be adhered to in the absence of special circumstances. One judge assigned to manage the case can more readily assess adherence to the schedule than a different judge at each juncture unfamiliar with the rationale for the schedule itself.

It must be recognized that events may occur which can uproot a schedule in which there are public interest matters at stake that require expedition. The recent attacks on the jurisdiction and composition of the Competition Tribunal are examples where the Tribunal's efforts were sought to be frustrated by events beyond its control. There is, however, a mechanism by which such challenges can be expedited in a faster manner than that which might usually be employed. This entails a direct reference by the Tribunal itself to the Federal Court of Appeal pursuant to s. 28(4) of the *Federal Court Act*.[79] An expedited reference to the Supreme Court of Canada is available in the appropriate cases where the public interest warrants such a procedure.[80]

In many cases today, the normal pretrial motions (of which there are far too many) are dealt with by a different judge or prothonotary each time. Therefore, each time there is a motion, the different judge or prothonotary must be educated as to the general nature of the case, and sometimes in some considerable detail depending on the motion involved. This is especially the case where injunctive relief is involved. Why not have the same judge hear all pretrial motions in any given case? After all, even the simplest motion can involve thousands of dollars worth of counsel time and several hours of the court's time. This could be vastly reduced if the judge were already familiar with the case in terms of facts and issues. It would also encourage development of expertise amongst the judiciary. It is routinely done in the U.S.A. The judge in charge could get a sense of continuity and assess the equities of the case better. Moreover, this development would not require any change in legislation or even rules, but merely a redirection from the Associate Chief Justice of the Federal Court and appropriate administrative changes in the operation and scheduling of the court. Such a mechanism is now found in the Ontario Rules of Practice for complex lawsuits.[81]

I recognize that the assignment of a case to a particular judge for case management purposes may cause the parties some concern in respect of urgent matters. Judges of the Federal Court travel throughout Canada and counsel for the parties may be in different cities. I would contemplate that such urgent matters would be dealt with by a greater use of video teleconferencing. I would also contemplate that in the scheduling of the various aspects of the case the judge in charge of its management would define those interlocutory matters that would be referred to a particular prothonotary for disposition by him or her, subject always to the overriding control of the "case management judge". I would also recommend that the judge in charge of the case be empowered to require the parties to provide written interrogatories in lieu of or in addition to oral discovery as he or she deems appropriate. Appeals from orders or judgments of the judge in charge of the case should be subject to leave granted by a different judge only where conflict or a difficult point of law arises.

One possible downside to a case management regime might be that it would be less easy to bring on a pretrial motion on short notice. The present system is remarkably accommodating to this end, perhaps too much so and probably more so than the American system.[82] However, less accessibility to pretrial motions might be argued to be a good thing, since they are frequent and largely nonproductive in my view. On the other hand, delay in access results in delay in reaching trial. In my experience, it seems that for every trial judgment, in a patent case on average there are approximately 6 to 10 pretrial motions in Canada in Federal Court actions. This is simply too many unnecessary proceedings and should be discouraged.

One caveat, however, is in order. I do not think that the judge who hears all the pretrial motions should preside at trial. The trial judge should have a completely clear mind and a fresh approach. He or she should be free from the effects of the "dirty laundry" that often arises in pretrial motions.

DISCLOSURE OF THE NAME OF THE TRIAL JUDGE

I repeat another proposal that is easily put in place and should be instituted in the interests of litigants. One must not forget that the institution of the courts exists for the benefit of the parties, i.e. that segment of the public that must have access to it. The proposal is simply for the Court to disclose, when the trial date is fixed, the actual identity of the trial judge. At present, one does not know who the judge will be until he or she enters the court room at the trial. The rationale for this practice is presumably to prevent "judge shopping" by counsel eager to avoid a particular judge. However, the other side of the coin is that as long as both counsel are informed in a timely manner, then each side can assess the situation. I would suspect that counsel who properly undertake their research will then have some idea of the past patterns of the particular judge and settlement will be encouraged. This is routinely done in the U.S.A. This would also avoid potential conflict of interest situations, which arise occasionally. A judge may be assigned to a case in which one of the counsel might be a relative or a recent partner and the judge must seek disqualification in such an instance. Unnecessary delay is the result.

In order to avoid counsel becoming indisposed (shades of Rumpole) or otherwise resorting to spurious motions upon learning the identity of the trial judge, one could have a rule that no fresh steps be undertaken after the matter is set down for trial.

In the U.S.A., one judge will be assigned to a patent case at the outset. This judge will handle all pretrial motions and set a schedule in advance for discoveries, and even the trial date. The trial date will be set well before the preliminary steps are complete, thus ensuring completion of the steps in a timely manner. Another judge will handle the trial. The net result is that a heavy patent case can be tried in the U.S.A. in one to one and a half years from commencement in contrast with the typically three to four years in Canada.[83]

DECISION MAKING MANAGEMENT

It would be most unfair to the Federal Court to suggest that long delays between the hearing and the date that judgment is delivered are the rule rather than the exception. However, long delays at the trial level have indeed occurred. Examples exist of delays of up to four years from the conclusion of the trial. Such delays can have devastating results on one or the other or both of the parties to the litigation. It can hardly be considered as acceptable. A patent and an industrial design registration each have a limited life as to time. For a court to take several years from the conclusion of a trial to render its decision is clearly not in the public interest.

When such delays occur, the parties and their counsel are placed in an invidious position. They must complain to the trial Judge or the Associate Chief Justice of the Trial Division. There is always the risk and fear of resentment.

I have recommended that "case management" of trials should speed the litigation process and render it more efficient. This purpose would be defeated if long delays take place in the delivery of judgments. It is my opinion and recommendation that an institutionalized process of "decision management" be put in place. I recommend that the Court be required, after a fixed period of time, to inform the parties as to the status of the matter and to give some indication as to when the judgment might be expected to be delivered. In most cases, six months after the hearing would appear to be a reasonable norm. After six months, the parties or a party would then be at liberty to apply to the Associate Chief Justice to consider the release of the particular member of the Court from other lengthy hearings pending delivery of the judgment in the overdue case. The importance of an early disposition of the matter can then be brought before the Court as appropriate, on a systematic and open basis. After all, judgment after bankruptcy is not much help to a successful litigant.

RESEARCH AND SUPPORT STAFF

It is beyond the scope of this study to deal with the issue of the adequacy of the amount of research and support staff available to the Federal Court of Canada at both levels, as well as to how this issue should be dealt with for the proposed Intellectual Property Tribunal (See Chapter VIII). It is obvious, however, that for the Court or Tribunal to fulfil its purposes, it does need adequate resources for professional and administrative assistance.

For example, in conducting this study we were fortunate to have been accorded excellent cooperation from the administrative staff of the Federal Court. However, they are constrained by a lack of available useful statistics for our current purposes. We had to determine and extrapolate many of our statistics in the Appendix on our own. The Federal Court should be expected to report more fully and openly on the nature of its activities and be given sufficient resources to do so, if such are not currently in place.

As the work of the Court or Tribunal enlarges, this need will increase. It is necessary, therefore, that the requirements of the Court or Tribunal be examined on a regular basis to ensure that its needs are met.

SUMMARY JUDGMENT

Summary judgment in the Federal Court is another way of expediting a case.[84] It is a rare procedure, for good and valid reasons, but far rarer than it could be. The rule as stated by Mr. Justice Thurlow is essentially as follows.

Summary judgment in the Federal Court is only available where there is nothing in controversy in the litigation as a whole or in any particular part or parts of it. Even when all of the necessary facts have been admitted but the legal result is still in controversy, the rule is not available if the legal question is a serious or fairly arguable one.[85]

It is not very often when there will be no controversy as to the facts or as to the law. Such an absolute rule is difficult to meet. Even though evidence on discovery may be contradicted at trial, admissions on discovery may be such as to warrant summary judgment, especially where the legal principles flowing from such evidence are clear. Perhaps the time has come when Rule 341 should be given a more generous interpretation.

The Federal Court has been reluctant to accept discovery evidence as a basis for summary judgment. It accepts the proposition that the evidence may differ at trial. It is difficult, in principle, to accept that evidence in discovery, given under oath and intended to be relied upon by the parties, should not be determinative. If there is a genuine error, it ought to be corrected forthwith rather than at the trial.

In a recent case, the Court doubted that the rule should be used to dispose of an entire lawsuit.[86] In this instance, all the necessary facts in order to establish a legal conclusion were admitted, but the Court declined to reach the conclusion.

The present rule seems too restrictive. In my opinion, it has rendered the rules as to summary judgment redundant. On the other hand, I recognize that the Court must be vigilant to ensure that summary judgment is not granted too easily. Otherwise, it will simply result in an extra step in the litigation process that will routinely result in yet another appeal and the expenditure of yet more time and expense.

It is interesting to observe that Rule 20 of the Rules of Civil Procedure promulgated pursuant to the Ontario *Courts of Justice Act* (1984) has led to conflicting decisions. These decision have been explored recently by Henry, J. in the case of *Pizza Pizza Ltd. v. Gillespie.*[87] The first line of decisions would require the court to follow the narrow position which prevailed in the former Ontario Rule 58(2) and now prevails in the Federal Court. The second line of decisions finds its original expression in the case of *Vaughn v. Warner Communications Inc.*[88] in a judgment of Boland, J. In that decision, she held that under Rule 20, on a motion for summary judgment, the Court has a duty to take a hard look at the merits of the action at its preliminary stage. She further held that the Court may freely canvas the facts and law in order to determine whether there is a genuine issue to be tried. Henry, J. accepted the broader test that:

> "The test is not whether the plaintiff cannot possibly succeed at trial;"

In my view, the rule as defined by Henry, J. could well be adopted in the Federal Court. Henry, J. followed an unreported judgment of May 25, 1990 by Farley, J.[89] which held that the parties "should be spared the agony and expense of a long and expensive trial after some indeterminate wait." It would appear that Rule 341 of the Federal Court Rules is sufficiently broad that it could encompass the principles as stated by Henry, J., rather than the narrower principle which the Federal Court now applies.

COSTS

It is a basic principle of Canadian law that costs follow the event. It is also a basic principle that costs normally constitute only an indemnity, not a reward. Accordingly, the party receiving costs does not normally recover more than the costs actually incurred and, in fact, usually recovers somewhat less than its actual costs.

The winner of a lawsuit normally recovers only part of its expenses from the loser and the loser pays its own costs. For a court to decide otherwise, it must give clear and compelling reasons to justify deviation from this basic rule. Costs consisting of legal fees and disbursements are set by tariffs established under the rules of the various courts and can be "taxed" if there is any dispute. As a general rule of thumb, costs awarded under this system normally only cover about one half to two thirds of actual legal fees and disbursements of a party.

It can be argued that the fact that full recovery of costs does not normally happen is perhaps unfortunate in some cases. A winning defendant is left out of pocket even after prevailing in unwanted litigation. A winning plaintiff may see some of his or her damage awards go into the hands of the lawyers. Full awards of costs, called "solicitor and client" costs, are normally only awarded when there has been blatantly abusive, dilatory, unprofessional or oppressive behaviour by the other party that justifies what is seen as exemplary or punitive costs.[90]

The potential of an award of costs against a party has the effect of discouraging unmeritorious litigation. On the other hand, an arbitrary system of costs can discourage access to the courts. Accordingly, the matter of costs and their magnitude must be left to the discretion of the Court itself. That discretion, however, must be judicially exercised.

This system is not unique to intellectual property law. Nor is it a problem in intellectual property law when two "Goliaths" are fighting it out in a large patent or trade-mark lawsuit.[91] However, it is readily apparent that it can become a problem in other circumstances and the problems of the system can be accentuated in intellectual property litigation because of the high cost factors. Thus, if a rich plaintiff sues a relatively poor defendant, the legal fees can cripple the defendant who may win the lawsuit but lose the war. As noted above, patent lawsuits are very expensive because of the massive discovery and the reliance on experts.

On the other side of the coin, a relatively impecunious plaintiff with a good cause of action may not be able to pursue a meritorious patent or copyright claim. The risk of having to pay not only his own costs but those of the other party can be a real deterrent. Even with success, the expected damages and the fact that costs are only partially recoverable may not justify the risk.

It is even possible that very large companies may view litigation costs as simply a business expense and a relatively minor one, knowing full well that in certain cases their opponent will be driven out of business. There is very little by way of remedy against such a strategy under current Canadian law, as long as a party has some colour of right to pursue its action or defence.

A weak patent in strong hands is a dangerous thing. More frequent but better advised use of summary judgment procedures might eliminate some ill-conceived litigation. Costs is a further tool to be used by a court to deal with the problem.

CONTINGENCY FEES

A partial answer to some of these problems, at least from the standpoint of the weaker plaintiff, might be the encouragement of a contingency fee system. Basically, this system entails that a lawyer can take a plaintiff's case, in effect, for a "percentage of the action." Normally, this means that the plaintiff will pay for disbursements in any event, but if there is success, the lawyers will be entitled to an agreed portion, usually between 20% and 30% (but I have heard of as much as 40%) of the award collected. If the plaintiff loses, the plaintiff's lawyer receives no fee, and will only be reimbursed for disbursements. The case for contingency fees is that such an arrangement provides access to the courts which might otherwise be denied to a person with a good cause of action but not much in the way of funds.

There are many potential disadvantages which are often cited. The system can encourage speculative and harassing litigation by inexperienced counsel eager for settlements based on nuisance value. It can remove any semblance of objectivity from a plaintiff's counsel who are still duty bound to be officers of the court. At its very worst, it can lead to unseemly and opportunistic "ambulance chasing" as was seen after the Bhopal tragedy in India.

Contingency fees are permitted in all provinces of Canada at the present time except Ontario. This is normally a matter involving provincial jurisdiction, since it concerns a matter of contract between the solicitor and client and professional regulation.[92] However, it is my preliminary view, subject to further confirmation on constitutional grounds, that the Federal Parliament could validly enact legislation or the Federal Court could provide rules covering the issue of contingency fees in the Federal Court itself, as a necessary and incidental aspect of a Federal regulatory scheme, to wit the operation of the court. Moreover, it would promote uniformity and remove the exception now existing in the case of Ontario lawyers appearing before the Federal Court. After all, if an Ontario lawyer is opposed by a member of the bar from another province and the latter can take a contingency fee but the former cannot, there is a real issue as to the lack of a level playing field.

It has been my experience that a contingency fee system is not a pressing matter in respect of intellectual property cases. If such a system is considered, it would be prudent to have some safeguards in the scheme. Any arrangement should be subject to approval by the court. At least, there should be full disclosure to the court in order to ensure that the fee is not unreasonable. In order to protect the client, the client should not be allowed to waive such approval in advance. Moreover, serious consideration should be given to a requirement that the existence of such an arrangement be disclosed to the other parties. Some might say that this is nobody's business other than that of the solicitor and his or her client; however, if the other party is being dragged into major litigation in what may be a rather speculative effort, it may be entitled to obtain security for costs or other precautionary relief. The existence of a contingency fee arrangement might be relevant. The issue of disclosure is really a finely balanced one and warrants a more detailed consideration.

However, on the question of contingency fees, one must not forget the rather obvious fact that they are of virtually no help to the defendant, unless the defendant has a substantial counterclaim.

LEGAL FEES

In a lawsuit, the actual bills sent by counsel to their clients, which are not on the record, are most likely to be greater than the bill as taxed and allowed by the court.[93] How do lawyers charge fees? Most counsel charge for their services by computing hourly rates. Other factors are also taken into account, such as the complexity and importance of the matter and the result achieved.

A point that should be stressed to the public is that legal fees are subject to scrutiny by the courts, when a client is dissatisfied with the bill from his or her own lawyer. This is known as a "taxation" and is accomplished by the client asking for the court to review his or her or its own legal fees at the conclusion of a lawsuit.[94] It frequently happens that the Court will reduce the lawyer's bill to the client. The principles applicable to a taxation of a Bill of Costs have been listed in two frequently cited cases in the Province of Ontario.[95]

INSURANCE AND THE ENFORCEMENT OF I.P. RIGHTS

Intellectual property litigation is, by its nature, a very complex and expensive endeavour. The cost of litigating a single patent infringement action for example can easily exceed several hundred thousand dollars. These costs are of particular concern insofar as they may be used as an anti-competitive tool by powerful litigants to deter weaker parties from effectively enforcing their rights. This may in turn enable a large business entity to eliminate or restrict its competition in a market dependent on such intellectual property rights.

One way to address this problem is through the promotion of legal expense insurance designed to indemnify parties for their costs of either bringing forward or defending an infringement action.[96]

Underwriters, insurers and reinsurers such as Lloyds of London have, as a result of what they now consider a normalization of the legal process, developed an interest in a new insurance product tailored to the needs of a patent owner seeking indemnification of potential future litigation costs, if and when the need arises to enforce a patent. This insurance will be invaluable to a patent owner seeking to limit exposure to these costs, especially insofar as he or she may be obligated to enforce his or her patent against unlicensed infringers or guarantee the payment of attorney fees in such enforcement. Such insurance allows a small business patentee effectively to deter an infringement proceeding and secure financing and licensing agreements which otherwise may not have been possible. In effect, it allows a small patentee to effectively preserve his or her market in a new venture.

This insurance is available to indemnify an insured for authorized litigation expenses when suing an unrelated party in the U.S. Federal Court System for an infringing activity carried out in the United States involving a validly granted U.S. letters patent. Patent enforcement expense policies are also available to provide protection to patents granted in the United Kingdom, as well as in a number of continental European countries. Plaintiffs' insurance policies have recently become available for patent infringement litigation in Canada.

Generally, defence coverage is much less frequently offered since underwriters are reluctant to insure events that are placed in the hands of the policy holder; namely the insured's decision to produce, copy, or duplicate the product, writing, or process that is protected. Defence coverage, when available, is usually severely restricted and often only available as part of a general policy providing indemnity for the costs of commercial legal proceedings. However, a patent defence insurance product has recently been developed and it is expected that it will be available in the United States and Canada in the foreseeable future.

In contrast to patents, a more broad general liability insurance is available to the publishing and motion picture industries to indemnify an insured for both litigation costs and liability for infringement of copyright, libel, slander, or invasion of privacy. I would expect that industrialists and traders in Canada will look more and more to insurance protection against costs and perhaps damages in respect to intellectual property matters.

COLLECTIVE AND CLASS ACTIONS

We are seeing the beginning of a whole new era in Canada with the broadening of the scope of collectives under the *Copyright Act*. Before the 1988 amendments, collective activity had been limited to the musical performing rights field. Now, it can be undertaken in any copyright field. There are signs that collectives are flourishing in the photocopying area, the educational field, and the motion picture industry.

Collectives will have significant effects on the litigation system. The very principle of a collective is that of enabling individuals, through a large and efficient organization, to collect fees that would otherwise not be feasible to pursue. No composer or author, no matter how successful, can afford to chase after every radio station and concert hall around the world, let alone in Canada to collect relatively few dollars here and there. The whole point of the collective system is that it enables copyright owners to actually receive the royalties due to them, notwithstanding the fact that in any particular instance, the royalty is so small that it can hardly be collected on a individual basis. The elegance of the collective system is that it enables creators to receive fair compensation for all of the routine uses of their work in accordance with copyright principles while at the same time giving a license at a very low transaction cost to users of those works.

Collectives in the musical copyright field have existed for many years. Each country where musical works are performed, normally has a single performing rights society which administers the performing rights of its members. PRS (Performing Rights Society) in the UK and ASCAP (American Society of Composers, Authors and Publishers) have had a long history. A notable exception to the rule of a single society in a country is that of the U.S.A. Broadcasters in that country in the early 1930s were faced with a denial of the right to use music unless they paid amounts to ASCAP which they considered to be excessive and prone to monopolistic influence. Broadcasters in the U.S.A. therefore, in the 1930s, formed Broadcast Music Inc. (BMI) which was a new collective society. In Canada, similar concerns led to the 1935 Parker Commission Report and the resulting establishment of the Copyright Appeal Board to protect the public interest.

Moreover, BMI Canada Ltd. was formed as a subsidiary to BMI in the U.S.A. to compete with CPRS (Canadian Performing Rights Society), the predecessor to CAPAC (Composers, Authors and Publishers Association of Canada). BMI Canada Ltd. later became Performing Rights Organization of Canada Ltd. (PRO Canada).

Recently, given the success of the Copyright Appeal Board in protecting the public interest, and the efficiencies to be gained by having only one society in Canada, the two longstanding musical performing rights societies have merged and are called SOCAN (Society of Composers, Authors, and Music Publishers of Canada).

The Copyright Appeal Board (now the Copyright Board) was chaired in the past by Chief Justices Thorson and Thurlow, and Mr. Justice Chevalier. In the cases of Chief Justices Thorson and Thurlow, it is to be noted that the Copyright Appeal Board was headed by a judge who was also Chief Justice of the Court to which appeals from the Copyright Appeal Board were directed. It is to the credit of all concerned parties that this situation worked out well, but it ought not be repeated. The principle should be that a judicial member of a tribunal ought not be a member of the judicial body having appellate jurisdiction over the tribunal.

In 1988, major new legislation served to effect significant changes in the collective administration of copyright in Canada. We now have a greatly expanded scope of collective activity, with no limits on the fields where such activity can be carried on. We have a "grandfathered" regime for musical performing rights. We have a new, and thus far untested, regime for other fields, such as reprography. The involvement of the Copyright Board in these new areas is not automatic, since any agreements may be made voluntarily. The Director of Investigation and Research under the *Competition Act* has a potential role to play in the case of voluntarily reached agreements. One must contemplate that this system will be adequate to protect the public interest. It is recommended that developments in this area relating to collectives, other than musical performing rights, be carefully monitored to determine if a compulsory licensing system more akin to the traditional system for performing rights should be used instead. The previous Canadian system worked very well, other than for the necessity of yearly appearances.

When litigation is undertaken by a collective, it is, in effect, a type of class action on behalf of its members. Sometimes the litigation is quite trivial in terms of dollar amounts. Or it may not involve any great matter of principle other than pursuing a reluctant user. The society may pursue the matter mindful of the need to set an example and maintain vigilance. However, collectives have also been involved with major litigation of historical importance in Canada and will continue to do so. More will be said below about whether some of these major cases might be avoidable by more efficient law reform.

However, the point I wish to make at the present juncture is that, on smaller collection matters, it is often a waste of the Federal Court's time, the collectives' money, and ultimately that of the hapless defendant who must pay up or defend the small dollar claims through the Federal Court.[97] In my opinion, there is a better solution from the standpoint of all concerned. This would involve the establishment of a "small claims court" for intellectual property matters under federal jurisdiction as part of an Intellectual Property Tribunal. The monetary jurisdiction would be limited to an arbitrary amount, such as $10,000, and the only relief available though this expedited means would be that of damages or approved tariff licence fees. This will be discussed in greater detail in Chapter VIII.

CHAPTER II - CONCLUSIONS/RECOMMENDATIONS

WHY IS LITIGATION SO EXPENSIVE?

I. Rule 448 of the Federal Court Rules should be clarified so that unlimited production and discovery is not allowed on a routine basis. Tactics of non-cooperation or deliberate delay might be penalized forthwith by an award of costs or, if repeated, by a citation for contempt.

II. Third party discovery should not be permitted on a routine basis.

III. There should be a more affirmative duty on all parties of full disclosure in production of documents relevant to issues defined by the pleadings.

IV. There should be a provision in the Federal Court Rules of Practice to permit lawyers to charge clients on a contingency fee basis under court-controlled conditions to permit access to the Court in intellectual property matters.

V. The Court should be encouraged to use its discretion as to costs to discourage unnecessary motions, overextended and oppressive discovery, and tactics which create delay or increased costs.

VI. Rule 465(5) of the Rules of the Federal Court should be clarified so as to ensure Canadian control of the process in a Canadian action.

VII. Bifurcation of issues in a trial, especially in patent infringement cases, should be done more routinely.

VIII. References as to damages should continue to be conducted by a prothonotary who would be given power to make an adjudication rather than merely a report.

IX. Affirmative case management by the Court should be done on a routine basis.

X. It is recommended that a system be institutionalized as to "decision making management" to ensure the delivery of judgments on a timely basis.

XI. The Federal Court and Federal Court of Appeal should be given sufficient resources of an administrative and professional nature to serve their requirements. They should be able to provide more useful and more detailed statistics as to their activities.

XII. The Judge in charge of a case should be able to utilize video tele-conferencing as a method of disposing of interlocutory motions, wherever feasible.

XIII. The Judge in charge of a case should define issues to be dealt with by the prothonotaries. The Judge in charge of a case should be empowered to require written interrogatories in addition to or in lieu of oral discovery when deemed appropriate.

XIV. There should be close monitoring of the effect of activity of collectives when there is no mandatory supervision by the Copyright Board to protect the public interest.

XV. Long range consideration should be given to establishing statutory remedies for bad faith or sham litigation involving intellectual property claims.

XVI. In theory, there is no impediment to the availability of either general liability or litigation expense insurance to indemnify parties to any form of intellectual property infringement action.

XVII. The government and the private sector should explore the possibility of promoting greater availability and awareness of such insurance in all areas of intellectual property to help ensure effective and accessible enforcement of IP rights. If successful, such measures may assist in limiting anti-competitive and other distorting effects of the all too often prohibitive expenses associated with intellectual property litigation.

XVIII. Summary judgments should be more readily granted where admissions are made on discovery or in the proceedings and on a broader test than now prevails.

XIX. Consideration should be given to the development of a mechanism where, in an appropriate case, an interlocutory application can be converted into a determination on the merits.

CHAPTER III

EXPERTISE AND EDUCATION

JUDICIAL EXPERTISE

I will once again quote my late friend, Dr. Fox, who in one of his more outspoken moments had this to say in 1939 about the Canadian judiciary:

> "Now who is the Judge? Without disrespect, he may be summed up quite shortly. He is, of course, a lawyer, but then, as in other occupations, there are lawyers and lawyers. And it is certainly no complete recommendation to the understanding of scientific problems that a man is a lawyer. It is, of course, the popular notion that Judges are appointed for their long experience and erudition in the law, - and that matters of party consideration in politics have never any weight in their selection. But I think, entirely without offence, that I may point out the known facts. The judge is more often than not one who has led a calm and sheltered life in the sequestered waters of the back benches of Parliament, where he has on rare occasions raised his voice to ask some questions as to the size of the Canadian navy or the means proposed by the government to eliminate the slot machine racket. He may have interrupted his somewhat modest legal career to earn greater glory in the service of His Majesty's forces during a war and replete with decorations and military title have been considered a possible adornment to the Bench. He may have been a good party hack in the backwoods constituencies, conducting his extensive but moderately remunerative practice of conveyancing and the drafting of wills. By a sudden shift in the wind of fortune he finds himself placed on the dizzy eminence as one of His Majesty's Justices..."[98]

The comment is plainly very dated. I make no comment as to whether it was justified in 1939 or could be justified today. It does illustrate the long held concern by the profession that lack of understanding and expertise amongst the judiciary can be a major problem in Canadian intellectual property litigation.

At first glance, it would seem self-evident that one would want judges dealing with specialized areas such as intellectual property law to be very familiar with these areas, perhaps indeed even specialized in them. The main reason for such specialization would stem from a concern for efficiency and quality of decision making. After all, with a judge not familiar with patent law in general and the particular technology involved, an astonishing amount of time (and therefore money) can be spent in educating that judge as to the basics of the law and technology. Copyright law is quickly going in this direction as well, with the current trend in the computer law cases.

Notwithstanding my many references to patent cases in terms of their complexity, length and expense, it is still my view that trade-marks cases are the most difficult from a technical legal point of view. Any decision in a trade-marks case in ignorance of certain basic legal doctrines can lead to very unfortunate results. Trade-marks have everything to do with "trade". [99] There is a long line of cases having to do with the status of registered users, the assignment of marks, use and distinctiveness that are crucial to the law of trade-marks and yet are still not settled in the courts.[100] And unlike a patent or even a copyright, a trade-mark, whether registered or unregistered, is potentially perpetual in terms of duration. In each case, the mark must retain its distinctiveness in the marketplace. Trade-marks laws are based upon a rather simple proposition. The original proposition is that a purchaser of goods or services is entitled to know that they come from a particular source. In the dynamic society in which we live, that original proposition has been extended to permit qualified licensing. The qualification rests on the principle of control. In Canada, that principle is reflected in the registered user provisions of the *Trade-marks Act*. The purchaser is entitled also to expect a consistent quality of the goods or services with which the mark is associated. The subtleties of the cases on these basic points and the construction of the trade-mark statute demand some experience or expertise on the part of the judges and participating counsel.

On the other hand, there could be significant concerns about creating a specialized judiciary for intellectual property. It would be difficult to recruit judges who are already established practitioners. Few well established practitioners in the intellectual property field have shown a willingness to leave private practice. It is also interesting to note that no government lawyers experienced in intellectual property law as the main part of their work have ever been appointed to the Bench in my recollection. Moreover, few good judges actually want to become too specialized, because a boredom factor can then become a problem.[101] In fact, one of the attractions of the bench to an experienced practitioner is the opportunity to broaden his or her intellectual horizons, and this is not encouraged by confining oneself to one's previous speciality.

Other factors militating against a too narrow specialization include the arguments that a fresh approach avoids stagnation in the law. This may be a polite way of suggesting that, in the unfortunate event of a bad appointment, the country could be saddled with the result for a very long time. This could certainly be the case as one cannot envisage more than a few full-time specialized judges in the intellectual property area. Under the present system, if a judge is overturned on appeal too often, the Chief Justice can simply reassign him or her to other areas where the result is more satisfactory. Such would not necessarily be the case where specialized positions are created.

Specialized courts are not a new phenomenon. Nor is the discussion on this issue limited to Canada. It has already been instituted in England, where there is both a specialized Patents Court (part of the Chancary Division of the Court of Justice) and a newly erected Patents County Court. It is worthy of note that patent agents and solicitors (as opposed to barristers) can appear in the Patents County Court. Patent cases can still however be brought in the higher court if the parties so choose.[102]

There is pressure for a specialized court in France. Following appellate level specialization in the U.S.A. to a certain extent, there is pressure for a specialized trial court.

The American experience with the Court of Appeals for the Federal Circuit (CAFC), which was created in 1982 and is often called the Patent Court, has worked out quite well. Much has been written about this Court.[103] The Court consists of 11 active judges including the Chief Judge.

The great advantage of the Court of Appeals for the Federal Circuit is that it is providing consistent and quality judgments and uniformity at the Federal level. It is also very productive. It is significant to note, in this connection, that the US Court of Appeals for the Federal Circuit is not, strictly speaking, a specialized court. It hears a very broad range of matters involving Federal jurisdiction, much like our own Federal Court.

In Canada, there are currently 12 Judges on the Federal Court of Appeal, including the Chief Justice. There are 16 members of the Federal Court Trial Division, including the Associate Chief Justice and two supernumerary judges.[104] Although the scope of the appellate jurisdiction of the Court of Appeals for the Federal Circuit in the U.S.A. and Canada's Federal Court of Appeal is not the same, nonetheless a comparison as to numbers would seem to indicate that there is no pressing necessity for the enlargement of the Federal Court of Appeal in Canada. More specifically, there is no significant problem of backlog at the current time in this Court. The time pressures are not such as to prevent appropriate research and reflective considerations.

Any delays in the Federal Court of Appeal normally arise from administrative matters, such delays as in having the record reproduced or the reasons for judgment translated. This is another reason for the recommendation that the Court be given adequate resources to enable administrative matters to be dealt with on a timely basis. It should be noted that judgments from the Federal Court of Appeal are generally delivered on a timely basis.

It is in the Federal Court Trial Division that lengthy hearings take place in intellectual property matters. It is salutary that the Court hears cases on the basis of a fixed date. At the present time, it takes at least six months to have the date of trial fixed from the time the parties are both ready and willing to proceed to trial. Such a delay may indicate a need for an enlargement of the number of judges in the Trial Division. The statistics in Table 1 of the Appendix show an ever increasing caseload. I have commented elsewhere in this paper on the sometimes lengthy delays in rendering judgment.

Moreover, the data in Tables 4 and 15 of the Appendix shows that the time for disposition of patent and trade-mark actions in Canada appears to be considerably longer than in the U.S.A.

On balance, I do not think that we need to seek out specialized practitioners to constitute an intellectual property "panel" as such on the Federal Court. However, consideration should be given to the appointment of some practitioners experienced in intellectual property matters. It would not be expected that they would hear all or only intellectual property cases. This would be a solution with no significant downside. It would not require any legislation to implement, although it would require considerable consultation with the Canadian Bar Association, the Patent and Trademark Institute of Canada and the other interested parties in the ever more democratic process of judicial appointments. Those responsible for recruiting should consider not only the practising Bar but the specialized cadres of government, industry and academia.

Another way that we could effect a typically Canadian compromise in this area, and one that would not need any legislation or even any change in the Federal Court Rules could be done through the aegis of the already existing Canadian Judicial Centre and Canadian Judicial Council by providing courses on intellectual property law and even on particular topics to newly appointed judges and to already appointed judges who express an interest. This is quite consistent with programs already underway in these very promising organizations. These courses could be taught by retired practitioners or distinguished academics who would not likely be appearing before the court. There are such persons in Canada who through their experience and their scholarly writings have shown their qualifications to serve in this capacity. Consideration could also be given to utilizing the services of senior but still active counsel, having due regard for the issue of perception of whether such a counsel might not have a subsequent advantage when appearing before the Court.

Finally, it might be useful to consider the establishment of a practice of rotating judges in the Federal Court Trial Division through different areas of the law on a somewhat systematic basis in order to better ascertain the judges' judicial strengths. However, on balance, I think that the Chief Justice can better accomplish such a determination by observation rather than through a more systematic approach.

ROLE OF EXPERTS

It has long been the case that patent litigation has depended on experts and experts can be very expensive. The trend is also clear that experts will become more and more involved with trade-mark and copyright lawsuits. The role of experts is to advise the court (who cannot possibly itself be expert on all matters) as to technical matters of a scientific, engineering, or other specialized nature. This gives rise to the oft-cited paradox that one cannot help but question the value of expert testimony when two supposedly highly reputed experts giving testimony on the same matter flatly contradict one another. Either the experts' profession is not a very scientific one or one or both of the experts is or are simply wrong.

For a long time, it was the case that experts were not permitted to testify as to the ultimate issue being tried, since that would usurp the role of the court.[105] This, however, is no longer the case and the role of the expert is therefore all the more important.[106] The court, however, has expressed the need for caution in accepting evidence relating to the ultimate issue, since, in the final analysis, the ultimate issue must be decided and judged by the court itself.[107]

Even where there are competing experts, their role is to give evidence only and not to usurp the judicial function. For example, in a patent case, after the experts have discussed the degree of advance in the art, it is then up to the court and the court alone to decide whether a patentable invention has been disclosed or claimed. The judge ought not merely accept one expert over another. Rather, the judge must, after hearing the evidence of experts, reach his or her own determination on the issues. The expert's evidence is intended to educate the judge in the technology, not to decide the case.

There is no avoiding the use of experts but we must find a way to limit their use, if the cost of intellectual property litigation is to be kept in check. Even for evenly balanced and well financed litigants, the cost of experts can get out of hand. There are some patent cases where the role of experts is not even as essential as might be thought.[108]

Moreover, there are even greater public policy issues arising from the over use of experts in Canadian litigation. This relates to the fact that the ideal expert is one who is seen to be independent and highly educated and thus, more often than not, is an academic. However, in a relatively small country like Canada, an expert cannot keep his or her image of independence for very long if retained too often for parties of a similar interest. Moreover, the demands upon an expert witness can wreak havoc with his or her other commitments, especially if they are of an academic nature.

If I may be permitted to return to the irascible Lord Esher on the subject of expert witnesses:

> "...I take this opportunity of saying that, with the greatest respect for the experts, I decline altogether to be bound by their opinions. I will always act upon the facts which they state or they may agree on, but their opinions I decline to be bound by. They are to be taken into consideration, and with great care, because they are

those of experienced people; but they do not bind the jury, and they do not bind the tribunal; the tribunal must act upon its own view."[109]

In patent matters, an expert is one who is skilled in the art, that is one who actually has working knowledge of the subject matter, being neither an idiot nor a genius.[110] Too often, the parties attempt to retain and call overly qualified witnesses to provide expert evidence and to impress the court with their qualifications. But, with respect to certain issues such as patentability, the law is such that as to the state of the art and common knowledge in the art we should actually hear from one simply skilled in the art rather that from a world-renowned figure. The person skilled in the art is the person to whom the specification is addressed.[111] One should not lose sight of the fact that this is the person intended to put the invention into practice. The well-educated expert may be necessary to explain the technical terms and the scientific principles involved and to define the parameters of the average level of expertise in the field. There is a role for the renowned expert but he or she must not usurp either the role of the addressee of the patent or the court.

Some positive developments have occurred with respect to the use of experts. Now, an affidavit of the expert must be filed in advance, and the expert is cross-examined on it in open court. There is no requirement to use valuable court time (not to mention counsel and expert witness fees) in going through evidence in chief that is now set forth on paper, as long as the affidavits contain sufficient information to educate the court on the applicable principles.

The real problem with experts, however, does not lie with usurpation of the court's function. Our case law is too clear on that point and one would hope that our judiciary is too sophisticated and responsible to allow this to happen. The real problem is that our body of experts is being turned into adversaries and advocates for particular points of view, and are available to those who can best afford them. This puts the less affluent litigant at a tremendous disadvantage, especially in a patent case. Survey evidence is becoming more and more prevalent in trade-mark cases in order to establish distinctiveness or likelihood of confusion. The recent spate of copyright cases dealing with computer programs is replete with references to experts.[112]

One alternative to the proverbial and ever-escalating battle of the experts could be the increased utilization of "assessors" as contemplated by Rule 492 of the Federal Court Rules, or "court appointed experts" as under Rule 52.03 of the Ontario Rules of Civil Procedure.[113] An assessor is much like an expert witness in function except that he or she is appointed by the court and is thus not in any way partisan to any of the litigants. The assessor's role is to supply the judge with the technical information he or she needs to follow and evaluate the evidence and to advise the judge on technical inferences to be drawn from proven facts. The assessor is not to assess the credibility of witnesses or to determine ordinary facts. The court is certainly not bound to act upon any of the advice or opinions of assessors. However, as long as we have an adversary system, we need to have partisan witnesses. There is no need to have additional expertise in the form of an assessor advising the court directly, and indeed, this creates all kinds of perceived, if not real, denials of natural justice. The Supreme Court of Canada has recognized that input may be given to the deciding tribunal as long as the deciding tribunal actually makes the decision and any new matter not considered at the hearing is referred to the parties for submissions.[114]

The tradition of assessors seems to have arisen in admiralty cases, in order to explain the complexities of navigation and rules of seamanship to the court. It is still used mainly in admiralty cases,[115] but this appears to be a matter of tradition only. There is no legal reason why assessors could not be used more often in other types of cases. Madame Justice Reed suggests this in a recent paper delivered to the Computer Law Association.[116]

If the use of assessors is merely going to result in the addition of another party in the process, it will be counterproductive as an initiative to reduce costs and time in intellectual property litigation. On the other hand, if it could reduce the cost of experts, there may be merit in considering the employment of assessors somewhat in the manner in which they are used in admiralty cases. At the same time, one must realize that admiralty cases have developed in their own unique way, requiring assessors to explain unique and precise scientific rules of navigation. The technical issues in patent cases do not always permit evidence of such a unique, precise and objective nature. On balance, therefore, it would appear that assessors are not likely to replace expert witnesses in intellectual property cases as a general rule, but situations may arise where this could happen. In highly technical subject matter, the court may conclude that the advice of an assessor at trial would narrow the issues. The "case management judge" could make a determination on this aspect of the matter.

It may be that a more judicious use of the court's power and discretion with regard to costs applicable to the calling of expert evidence could make the parties more circumspect in leading evidence which the court considers to be either inappropriate, unnecessary, or unacceptable. Courts have often commented on the fact that some experts tend to adopt an advocacy role rather than an advisory role. In such event, costs may be an appropriate mechanism for redress.

The cost of experts to a party may be much larger than the costs which can be taxed on a party/party bill of costs.

There is discretion in the court as to the magnitude of the expert's fees that can be imposed upon the losing party. There is ample room and opportunity for the court to exercise discretion in the awarding of costs incurred on account of expert witnesses. For examples of the costs of such witnesses, see the Appendix, Table 11.

Madame Justice Reed has another interesting suggestion in her paper, which essentially amounts to incorporating experts in the tribunal itself, as has been done in the Competition Tribunal. Apart from the current issue of the constitutionality of such a tribunal consisting in part of non-judges,[117] there is the problem of the fact that this structure evidently does not minimize the parties' desire to call experts. Recent cases before the Competition Tribunal show this to be the case.

I am of the view that there is merit in Madame Justice Reed's suggestion that a tribunal including lay-expert members could be of some considerable use in intellectual property matters where highly technical subject matter is involved.

One salutary change that is being contemplated is the enlargement of the 10 day period prior to trial for filing of the expert witnesses affidavit to 30 days. This is a more realistic time and would certainly allow for a more rational and methodical analysis of the document.[118]

Another change that could be contemplated, and probably would not require any explicit amendment to rules or legislation, would be the establishment of a practice of full discussion at the pre-trial hearing of the scope and nature of expert testimony with a view to reducing the time and cost required for this phase of a trial.

EDUCATION OUTSIDE OF THE COURTROOM

Another aspect of expertise that deserves attention is that of the various parties to the litigation system other than the court and its experts. These include the owners and users of intellectual property, the legal profession, and finally the government itself. It seems trite to indicate that more public education in intellectual property matters would obviate litigation. However, there is much to be done in this respect.

Let me begin with the legal profession itself. Unfortunately, there is little awareness by many general practitioners, especially outside of the major centres in Montreal, Ottawa, Toronto, and Vancouver of the interrelationship between intellectual property and other areas of law. For example, most businesses have names. Many lawyers do not know that simple incorporation or provincial trade name registration provides very limited rights as against a federally registered trade-mark, and that the federally registered trade-mark is, in effect, a rather inexpensive form of insurance to protect their client. Such a basic point should be taught in every law school and every bar admission course, but I doubt that it is.

There is also a lack of awareness by business people and consequently an under-utilization of the compulsory licensing provisions of the *Patent Act* with respect to abuse or non-working of patents.[119] It seems that many people are unaware of its availability and these provisions are seldom used. The same cannot be said, however, about the compulsory licensing provisions relating to pharmaceutical patents which are often used by very sophisticated applicants.

Business people themselves are often not too sophisticated about intellectual property law. Those who can afford to do so rely on their lawyers. This is profitable for lawyers but not economically efficient. Government could help in this respect with more useful, timely, and comprehensive awareness programs. The Government of Quebec probably does more in the way of education and awareness in the copyright field (where it has no constitutional basis of jurisdiction) than the Federal government does in all of intellectual property.

Finally, government needs to educate itself. It needs more people, and more specialized people. I have spoken of specialized courts. I should speak of specialized public servants. The intellectual property field is often thought of as an exclusive and club-like enclave that is somewhat self-serving and short-sighted. This is not the case. Rather, it is a very specialized area that requires specialized understanding.

The overview of economists and other non-lawyers is both useful and refreshing, but it does not replace legal analysis of specific issues that give rise to the basic problems. Moreover, there is far too much turnover in government as compared to the legal profession in Canada in this area. Most of the countries with which Canada would like to compete treat intellectual property with far greater attention than does our government. Fortunately, one senses that this is now changing. One may hope that this is not simply a temporary phenomenon coinciding with the Uruguay GATT round. The current attention to intellectual property matters must survive the glamour of trade-related issues. Canada has much work to do in terms of dealing with outmoded and defective statutes on an immediate basis and irrespective of any outcome of the Uruguay Round. Time will tell.

CHAPTER III - CONCLUSIONS/RECOMMENDATIONS

EXPERTISE AND EDUCATION

I. Special courses in intellectual property law should be offered to newly appointed Superior Court Judges through the Canadian Judicial Council and the Canadian Judicial Centre.

II. Judges should be appointed to the Federal Court with specialized background in intellectual property law, although they should not be assigned exclusively to this area. Recruitment should consider not only private practitioners but government, industry, and academia.

III. The use of assessors should be further explored in the Federal Court. Similarly, a composite court which has lay experts may in the long run warrant consideration, but I would suggest that it is premature to have validity and infringement issues placed before lay decision makers.

IV. The Court should use its discretion with respect to costs to discourage unnecessary use of expert witnesses.

V. The role, scope and nature of expert testimony in a trial should be explicitly discussed at the pretrial hearing with a view to reducing the time and cost of this phase of the trial.

VI. The Canadian government, through an appropriate mechanism, by funding, or otherwise should provide a forum for the education of individuals and small business as to the risks and benefits of intellectual property laws.

VII. There should be a more systemized education program to alert small business owners as to the manner in which industrial property laws may assist them or may cause them grief.

VIII. More and more specialized resources should be available to the appropriate government departments for the development of sound policy in intellectual property matters.

IX. Government itself, at the higher levels, needs more expertise, education, and continuity in intellectual property law.

CHAPTER IV

PARTICULAR ASPECTS OF LITIGATION

In this chapter, I shall make reference to particular features of each of the major intellectual property laws that have caused or continue to generate unnecessary or unnecessarily complex litigation, or have coloured the course of litigation. These examples are not meant to be exhaustive but rather illustrative.

Interrelationship with Other Statutes

However, before I embark on this analysis, it is worth noting that intellectual property issues can arise in other apparently unrelated statutes and sometimes be very important in this respect. Some examples would be in order.

Consider, for instance, the particular provisions in the *Bankruptcy Act* relating to patents and copyrights, which create many special rights of reversion for intellectual property rights owners.[120] Consider also that therein lie several traps for the unwary in terms of executory contracts relating to a patent or a copyright. These are provisions that are not widely known. I suggest that they should be better known. For example, a computer software license that requires ongoing maintenance by the copyright owner may not be readily enforceable as against a trustee or assignee due to these special provisions.

Another provision that is even less known and is rather antiquated and obsolete is found in sections 13 to 15 of the *Bills of Exchange Act*. These sections provide, essentially, that any promissory note given for a patent must state, on its face, that it is "Given for a Patent Right", or it is not enforceable. Moreover, failure to so state is indictable offence. Given the nature of modern patent licensing, many patentees and their counsel may be potential criminals. While the history of this provision is somewhat obscure, it seems that it was passed in large measure to prevent fraud against innocent farmers.[121] Fortunately, this provision seems to have fallen into disuse and seems to be an example of a "dead letter" law.

Another example of a statute referring in an important but unexpected way to intellectual property is that of the *Tobacco Products Control Act*, which prohibits the use of a trade-mark associated with tobacco for sponsorship of events. However, the statute left a rather glaring loophole in not addressing the question of use of a corporate name for sponsorship, even if the corporate name is essentially identical to the trade-mark or trade name of the tobacco product.[122] One cannot help but wonder whether the intellectual property system was fully understood by those drafting this statute, since one of the basic policies seems not to be achievable with the present wording.

Yet another instance of cross-relationship between an intellectual property statute and more general laws concerns the issue of the relationship between trade names and trade-marks. Can the owner of a registered trade-mark prevent the owner of a trade name who had incorporated under that name more than five years before the trade-mark was registered from doing business under that trade name, assuming that the trade-mark owner was not aware of the trade name? Can a provincial incorporation statute be used to prevent the trade-mark owner from using a trade-mark that is confusing with the name of a duly and previously registered provincial corporation? These are not academic questions and have resulted in some potentially very important litigation arising in Manitoba.[123]

It is interesting to observe that the *Municipal Freedom of Information and Protection of Individual Privacy Act* enacted by the Province of Ontario December 14, 1989 to take effect January 1, 1991 provides that Municipalities and School Boards must provide copies of a record of information to a person seeking access (s. 23 of the Act). The information may be in a document protected by copyright held by a third party. This is an example where conflict may arise between the provisions of a provincial statute and the provisions of the *Copyright Act*.

I mention the above points because they illustrate, by way of example, the real or potential problems and litigation that can ensue when there is insufficient awareness, even amongst the legal profession itself, of the interrelationship between intellectual property statutes and other areas of the law.

The Statutory Framework

There are currently four operative intellectual property statutes of general application dealing with patents, trade-marks, copyright, and industrial design. Parliament has just passed a statute dealing with integrated circuits (which has been given Royal Assent and awaits proclamation) and Parliament has recently enacted legislation dealing with plant breeders' rights.[124] The next phase of amendments to the *Copyright Act* are being considered. Amendments to the *Trade-marks Act*, especially regarding registered users and the scope of protection for official marks, are warranted. Amendments to the *Industrial Design Act* are decades overdue.

Having regard to the changes in the substantive law relating to intellectual property rights, it is imperative that the manner in which the rights are enforced be updated to meet the needs of modern industrial and commercial demands. Canada is in a new era of development, with a new focus and new challenges arising out of free trade, new tax policy, and constitutional readjustment. The Federal Court system should be properly placed to fulfil its role in decision making in the intellectual property field in this new environment and this era of transition.

There are many advantages and disadvantages to the proliferation of statutes dealing with specialized niches of intellectual property. Clearly, the main advantage of such an approach is that protection can be precisely tailored to fit the exact needs of the sector and the market involved without affecting other areas inadvertently.

For example, the current integrated circuit legislation is intended to provide complete exhaustion of intellectual property rights. There are many valid reasons for this policy, not least of which is the fact that countless items of international trade ranging from cameras to computers to cars contain one or hundreds of chips that may come from many sources. It would clearly not be possible to enforce an importation right in this instance, whereas in other cases such as pharmaceuticals it is far more feasible.

The potential disadvantage of having several specialized *sui generis* statutes is that of inconsistency between the various forms of protection, inevitable overlap of coverage, and ultimately uncertainty as to substantive law and remedies. To an extent, as we shall see below, we already have these types of problems as amongst the mainstream traditional statutes. For example, the *Copyright Act* was recently amended in Canada so as to protect computer programs as literary works. However, similar provisions in the U.S.A. are being interpreted by the courts in such a way as to suggest that copyright protection is moving towards the type of protection hitherto associated with patent law.[125]

I shall now examine some particular features of each of the statutes in terms of problems in the litigation system. However, it is becoming tolerably clear that the existing order of statutes is no longer adequate in Canada or elsewhere to deal with the many demands of rapidly evolving technology and changing business and trade relationships. For example, we may also wish to explore the need for a special statute to deal with pharmaceuticals and medicines. After all, the patent statutes of this and most other countries were conceived at a time when mechanical patents were by far predominant and technology progressed at a relative snail's pace. Many of today's major court cases arise because the legislation is ill-suited to the subject matter, and is not only obsolete but simply inappropriate.[126] Moreover, there is a great debate re-emerging on the issue of how computer programs should be protected, with many calls for *sui generis* statutory treatment as well in this case.

Trade Secrets

Finally, there are areas, such as trade secrets, where perhaps no legislation is preferable to legislation at this point in time. There is no federal legislation dealing specifically with trade secrets. At the risk of being provocative, I will reiterate my consistent view that there need not be any such legislation, particulary of a civil nature, neither federal or provincial. However, this may be a losing battle from my own point of view, given the proliferation of state statutes in the U.S.A., the movement in Canada,[127] and at the GATT TRIPs (Trade Related Intellectual Property) negotiations.

A trade secret, from a practical standpoint, is any subject matter or information that gives one party an advantage over another, and which the party desiring to invoke the protection had gone to reasonable lengths to maintain the secrecy.[128] The concept can cover secret processes, methods of doing business,[129] and information exchanged in the course of discussions about a business deal involving a gold mine.[130] On the other hand, it seems that there is no remedy against the taking of a simple list of names not protected by copyright and not involving theft of any tangible physical material, even when the information is rather valuable.[131]

My own view is that this is one area of the law that is so amorphous that it defies appropriate statutory definition, much less codification or prescription. This area of the law is by no means new, going back clearly to at least 1812 in the common law.[132] I have not seen many situations wherein a remedy was not available in truly deserving situations, although, admittedly, one can question the outcome of particular instances. However, such uncertainty at the margin does not justify the imposition of what could become a statutory straight-jacket on an evolving area of the law that is working reasonable well.

The courts are not uniform, however, as to the basic reasons for protecting trade secrets. The doctrines range from property law, equitable grounds, breach of confidence, and contractual principles, whether because of an express or implied provision in the contract. Two recent Supreme Court of Canada cases, namely *R. v. Stewart*[133] and *Corona v. Lac Minerals*[134] have not resolved the debate. If a trade secret is protected by property law doctrines, then there should be a remedy against a third party, whether innocent or not.[135] If, on the other hand, the remedy lies in equity, an innocent third party should have the right to use the secret information.

Still, on balance, I believe that the remedies should be fashioned at this point by the judiciary rather than the legislature. On the other hand, if policy makers feel that confidential information is to be protected as property, the *Stewart*[136] case shows that legislation in the field of criminal law is required since the Supreme Court of Canada declined to find any improper dealing with "property" as defined in the theft and fraud provisions in the *Criminal Code*.

PATENT LITIGATION

Patent cases inherently deal with important and leading edge scientific and engineering matters. I respect that no court can be expert in the vast and exponentially changing array of scientific advances that are unfolding in a dynamic society. It is, of course, helpful, if the judges are at least basically familiar with the scientific or engineering principles involved. However, beyond this stage, it is therefore necessary for a court to be educated in the particular technology involved in a given law suit.

As indicated earlier, in order to accomplish this purpose, it has been the custom for the parties to adduce the evidence of experts in order to educate the court. Sometimes, the court has its own expert, an "assessor".[137] However, experts are not always necessary and can sometimes be counterproductive and wasteful of precious time and resources. In a relatively simple case, they are not needed.[138] One way of avoiding the unnecessary use of experts would be the establishment of a requirement that the judge dealing with pretrial aspects of the case be empowered and required to consider and recommend the scope of expert testimony allowed, at least in a preliminary way until the trial judge is seized of the matter. This of course depends in part on the adoption of my suggestion that one judge take charge of case management in each case before the court. This judge would then have a good "feel" for the particular case. In my view, no party should be precluded from calling expert testimony if they so insist. The control of evidence ought to be in the hands of the parties as long as the rules of admissibility are met. However, the pre-trial judge might be empowered to make recommendations as to costs should the expert testimony prove ultimately to have been unnecessary. Such a procedure might require modification of existing Federal Court Rules.

PRESUMPTIONS IN PATENT CASES

The Courts have not been consistent in dealing with the scope of the presumption arising as to the validity of a patent as issued pursuant to s. 44. of the *Patent Act*. As indicated, the theory behind s. 44 is that there has been an examination of the subject matter and the prior art, and that, therefore, the burden of attacking validity should be placed on the person alleging the patent to be invalid. The difficulty with the theory is that the examiner is engaged in a unilateral process with the inventor, his or her agent or assignee. Third party representations only arise later or in the courts. The recent advent of a system of re-examination under s. 48.1 of the *Patent Act* may make the need for strong plaintiff oriented presumptions less necessary. The new section is a step in the right direction.

There can be no objection, however, to the onus being placed on the person attacking the patent. The problems arise from the fact that there is no consistency in the determination of the scope of the onus on the persons attacking the validity of the patent. The late Thorson, P., in a series of cases, held that the onus on the person attacking the patent is a heavy one requiring a strong preponderance of evidence on every issue applicable to validity.[139]

On the other hand, Pratte, J., sitting as a trial Judge, held[140] that the onus in the *Patent Act* deals only with the incidence of proof, not the standard of proof. It shows on whom the burden lies to satisfy the court and not the degree which he must attain applying the ordinary rule of presumptions as laid down by Lord Denning in *Blyth v. Blyth*.[141] He went on to say that:

> "...it cannot be said that the presumption created by s. 47 [now s. 44] is, as a rule, either easy or difficult to overcome. In some cases, the circumstances may be such that the presumption will be easily rebutted, while in other cases the result may be very difficult or even impossible to obtain."[142]

The Court, however, appears to be returning to the heavy onus standard laid down by Thorson, P. Muldoon, J. who recently held that the rebuttable presumption of s. 44, "being a statutory presumption, is not lightly displaced. It requires cogent evidence and strong inference to discharge a civil burden of proof."[143] Martin, J. has recently spoken of a "heavy burden" arising from the presumption of validity.[144]

It has been said that presumptions constitute a "cop-out" in determining an advance in the state of the art. However, I respect that there is a role for the expert as a person skilled in the art to inform the judge so that the judge can make his or her own determination of whether there has been a sufficient advance as to justify patentability.[145]

There is no apparent reason why the ultimate onus should be any greater in a patent case than in any other civil case. As stated elsewhere, the usual attacks on validity relate to subject matter, i.e. whether the invention qualifies as an art, process, composition of matter, and manufacture. The statute also requires the invention to be useful and novel. Mere novelty as at the date of invention does not constitute a patentable invention. There must be an advance in the art to the degree that warrants the grant of a patent. The application for patent must comply with the requirements of s. 27 of the Act as of the dates there set out. Other statutory requirements stipulate that the disclosure be sufficient to enable a person skilled in the art to put the invention into practice. The claims must meet the test of avoidable ambiguity. Infringement can be textual or by substantial taking.[146]

Patent litigation has always involved the issue of the desirability of a "bright line" test of patentability. In theory, it would desirable to know what constitutes novelty, inventiveness, sufficiency, ambiguity and utility. Stereotyped rules have been developed which ought to serve as guidelines rather than determinative principles. I would suggest that the courts should never be relieved of the obligation to assess the merits of an issue in patent cases by a reliance on sterile presumptions, except in a most unusual case.

The doctrine of substance as to infringement is a case in point as to the difficulty in defining a "bright line". In patent law, there is infringement if the subject matter of the allegedly infringing article falls within the wording of the patentee's claims. This is sometimes called "textual infringement".[147] However, the courts have accepted the proposition that although the offending article does not fall strictly within the wording of the claim, the alleged infringer has taken in the device the substance of the invention. Uncertainty arises if the doctrine of substance is pushed too far. The "bright line" should be capable of being plotted with some reasonable degree of certainty so that business persons can know ahead of time whether they are about to infringe. The doctrine of substance was only intended to permit deviation from the claims where there is an immaterial change.[148] It should never apply at the point of invention. Otherwise, the invention is being given a scope beyond that made by the inventor. It is important, therefore, that the court adopt a consistent and clear policy relating to the circumstances under which the substance of the invention will be found to have been infringed. The doctrine of substance, if carried too far, will discourage entrepreneurs from inventing around or developing other embodiments of an invention in a legitimate, useful and innovative way. Attention should also be paid at this point as to whether such a doctrine is inadvertently creeping into our copyright law, where it has no place.[149]

DATE OF INVENTION

Prior to the amendments to the *Patent Act* passed in 1987[150], the date of invention was significant for the determination of novelty and inventive step. Following the amendments, it is clear that the determination of the right to patent as between inventors depends upon the date of filing rather than the date of invention. The old proceedings by way of conflict have now been eliminated in new s. 27.

It is less clear, however, that the determination of issues related to validity is no longer made on the basis of invention date as opposed to the date of filing. The definition of invention in the Canadian *Patent Act* (which basically derives from the US statute) still remains. However, there is nothing in the Canadian *Patent Act*, including the recent revisions, which would make the determining date as to novelty and inventive step to be the filing date.

It would appear that prior art as of the date of invention which is either anticipatory or applicable to inventive step is still determinative. Section 27 of the *Patent Act*, R.S.C. 1985, c. P-4 as amended, still requires that a patent issue to an inventor or a legal representative of an inventor. An inventor must still satisfy the requirements of invention as set out in s. 2 of the *Patent Act*. These include novelty, utility, inventive step (which is imported into the section by jurisprudence) and category of invention (i.e. subject matter). If as of the date of invention, these elements do not exists or the criteria are not met, then it is arguable that notwithstanding the amendments, date of invention is significant for the determination of patentability. As to prior art before filing, s. 27 becomes an additional potential ground for invalidity, along with the requirements of novelty and obviousness as of the date of invention.

If my point of view is correct, two considerations arise. The first is that the date of invention still remains significant in patent litigation. In this regard, it has been my long standing concern that the Rules adopted under the *Federal Court Act* did not and still do not include a Rule similar to Rule 22A of the old Exchequer Court Rules. That Rule permitted a defendant in a patent infringement action to require the patentee to state the date of invention upon which he or she intended to rely. It would appear to me (although I recognize that there is another point of view) that novelty and inventive step must still be assessed as of date of invention in respect of patents issuing under the "first to file" amendments to the *Patent Act*. It is therefore important that the date against which prior art is to be judged, become known to a defendant at the earliest possible date. If a date earlier than the known filing date is established, some prior art may prove to be irrelevant. A defendant should be able to make this judgment as soon as possible to avoid surprises and perhaps unnecessary proceedings. I would commend to the Court the reestablishment of old Rule 22A or the equivalent until or unless the amendments to the *Patent Act* are interpreted as making the filing date the determination date for construing the prior art.

My second concern relates to the cost of litigation arising from this issue. The amendments would not appear to me to have simplified the litigation process. In determining validity, we still have the same considerations as existed before the amendments. Novelty and inventive step will still have to be determined as of the date of invention. We therefore have not eliminated many of the considerations leading to potential complexities of litigation, even though this may have been the intention of the legislation. The problem arises due to the hybrid nature of the Canadian patent system. Our statute is based upon the U.S. statutory framework. Our jurisprudence, however, is extensively based upon U.K. case law. Consequently, the principles of a first to file system are often applied to a first to invent system, without analyzing and distinguishing the differences. It is uncertain whether this situation will be exacerbated or improved by the recent amendments. The first to invent system may have been more equitable in principle, but it certainly enlarged the nature, scope, and costs of litigation.

TRADE-MARKS

Unlike other areas of intellectual property law, a trade-mark is protectable without time limit. Of course, trade-mark rights can be lost if the mark becomes so diluted as to be generic, and loses its distinctiveness. Moreover, the goodwill associated with a trade-mark normally improves with age. It therefore can be a very valuable commercial asset, especially where the underlying product or service is incapable of protection by means of patent, copyright or design law. A trade-mark must, above all, distinguish the goods or services with which it is associated from all others in the market. The public interest is that the consumer will enjoy a consistent standard of quality.

Because these cases are more commercial in nature than industrial, there is less often a problem of the impecunious plaintiff. The defendant may, frequently however, be impecunious.

In these matters, the plaintiff is often interested primarily in injunctive relief. Often, an interlocutory injunction will really decide the case. The decisions as to the standard of proof required to establish the right to an interlocutory injunction are by no means uniform. Some cases merely require that the plaintiff's case not be frivolous. Others require that the plaintiff establish a strong *prima facie* case.[151] In the Federal Court, the rule is that the Court must be flexible in dealing with the relative merits of the parties. In the exercise of the discretion of the Court, regard will be had to the degree of irreparable injury to the respective parties on the basis of the result. The balance of convenience becomes a key issue when a determination as to the strength of the parties has been assessed.[152] Where an Anton Piller order is sought, a strong *prima facie* case is required.

Courts have generally viewed the 1953 Canadian *Trade-marks Act*[153] in a narrow fashion, requiring strict adherence to the new provisions dealing with registered users. This is manifest in a long line of cases beginning with *Cheerio*.[154] Related matters concern the issue of assignment.[155] This entails a deeply philosophical issue as to what degree it is important for a court to accept the proposition that a trade-mark must be distinctive as to source and quality of the goods or services and to what degree modern evolving commercial practices necessitate modification of this time-honoured doctrine.[156] Will this foment or lessen litigation? The longer that the government is dilatory on the issue of resolving the question of registered users and related issues, the more unnecessary and expensive litigation we will see over this fundamental issue.

Ironically, there is nothing to prevent the owner of a trade-mark from changing the quality of the goods without notice (unless other regulations are breached, such as those pertaining to foods and drugs, hazardous products, or labelling legislation). There is a growing tendency to use trade-marks in franchising and licensing arrangements that strain these traditional concepts. The government is aware of the need to take these matters into account[157] but has failed to do so as yet, despite considerable effort and study.[158]

A solution to these problems depends on an understanding of the old trade-marks law. This law rested upon the principle that goods emanated from a single source. As Lord Shaw of Dunfermline expressed it in *Bowden Wire*[159]:

> "A Trade Mark after all, my Lords, is simply an intimation upon goods that they are the goods of the owner of the mark. That is, in one compendious phrase, the entire law of Trade Marks."

The registered user provisions in the *Trade-marks Act* attempt at a reconciliation of the single source principle to a principle whereby the registered owner may license others under limited circumstances. The costs of the system are putting a strain on the existing provisions. Is this an example of an issue so important and basic that failure to maintain a registered user registration should place a mark in jeopardy? Where there is a subtle and forever unfolding issue such as this, do we not need a specialized judiciary that could become a partner in the policy making process, rather than a court that must constantly learn the issue *de novo* and injecting into it an element of randomness?

Within the last decade, the courts have enlarged injunctive relief by means of the Anton Piller order.[160] It has been very effective against the use of well-known trade-marks on counterfeit goods.[161] The courts have even been prepared to grant Anton Piller orders under defined circumstances as against unknown persons operating "on the street" by granting "John Doe" and "Jane Doe" orders. In so doing, the court has shown a willingness to fashion innovative remedies for the protection of trade-marks against the efforts of vendors of counterfeit goods.

Another particular aspect of trade-marks litigation concerns the great temptation for a plaintiff to exploit provisions of s. 9 re "official marks", as seen in the Olympic litigation. This is not altogether a defect in the litigation system but rather in the statute. The plaintiffs in these types of cases can hardly be blamed, since they are simply availing themselves of rights repeatedly confirmed by the courts. Over ten years ago, Cattanach J. explicitly stated in *Insurance Corporation of British Columbia v. Registrar of Trade Marks,*[162] that the statute is clear and that the courts cannot change "the policy which Parliament, in its infinite wisdom, has seen fit to implement by legislation". Official marks were intended to give an identification of the office or institution or public authority entitled to use such a mark. The provisions were never intended to allow for commercial licensing with none of the protections to the public or other traders that exist with regular trade-marks, i.e. use, examination, requirement of distinctiveness, rules on priority, etc.

The provisions dealing with official marks were never intended, surely, to become an instrument for franchising opportunities and commercial exploitation. They were never intended to be a substitute for certification marks or ordinary trade marks with the associated registered user system.

The apparent unwillingness of several governments over the last ten years to amend this section has surely led many public authorities to assume that the government approves of the policy enunciated by the courts. Having waited this long, and with so many official marks now "registered", there is a real problem as to how effective any amendment can be without being retroactive. Of course, change can and should be made. There could be an opportunity to either grandfather certain types of marks, or better still, to convert existing s. 9 marks into registered trade-marks or certification marks through a registration process.

Cattanach J.'s views were recently restated by MacGuigan, J.A. in the case of *Allied Corporation v. Canadian Olympic Association*, [163] which held that the provisions dealing with public authorities are not retroactive if the allegedly offending mark has been adopted previous to the time when the public authority gave notice of the official mark.

There is now a long line of reported cases dealing with s. 9 and countless examples of defendants who have forfeited their claim to trade-marks that they should have been able to use or register. In many cases, the mark had been used for many years. Some forfeited their right by reason of the courts' interpretation. Others lost their right because they could not afford to litigate. There were dozens, if not more, actions brought and threatened during the recent 1988 Olympics in Canada against almost anyone who used the word "Olympic" in connection with their business. Most of the defendants were small and had no choice but to cease and desist. The situation became so notorious that the Minister responsible for the Olympics took political steps to discourage further exercise of the rights conferred by law on a very vigilant and zealous plaintiff. This is an example of how a vast amount of unnecessary and often wasteful litigation could have been avoided by a timely legislative response to a clearly problematic situation.[164] Perhaps now that the decision has been made not to hold the 1996 Olympics in Canada, there is a chance that our law-makers will have the conviction to grapple with this serious issue.

PRESUMPTIONS IN TRADE-MARKS CASES

Overall, the presumptions under the *Trade-marks Act* have worked well. Under s. 18 of the *Trade-marks Act*, a trade-mark registration may be held to be invalid having regard to conditions that prevailed at two separate times. The first time relates to registrability at the date of registration. It is thus very important that care is taken that the mark is properly registered. A disability at the time of registration will continue. The second time is the time at which proceedings bringing the validity of the registered trade-mark into question are commenced. The registration can be invalid at that time if it is no longer distinctive. It is apparent therefore that a mark validly registered but which becomes non-distinctive can be "cured" by taking steps to ensure that it is distinctive prior to the time of attack. Constant vigilance is therefore the watchword in protecting trade-mark registrations. Presumptions of validity do not substitute for such vigilance. A registration can be held to be invalid if the mark is abandoned, or by a prior user if such prior user attacks the mark within five years of registration, or even thereafter if it can be shown that the later user and registrant adopted the mark with knowledge of the prior use or making known.[165] This is, in effect, a powerful presumption of validity, at least for a trade-mark registered for more than five years. Arguably it is a just compromise that balances the rights of unregistered trade-mark owners who may not be aware of a subsequent registration with those of registered trade-mark owners acting in good faith who need some measure of commercial certainty in their business plans. The various factors that could come into play are currently being litigated in a potentially important case, and it would therefore not be prudent to comment further.[166]

COPYRIGHT

One of the more vexatious ongoing issues in copyright matters from a litigation standpoint is the issue of proof of title. We have a token registration system that serves only to generate money for the government and the legal profession. It provides a sort of comfort certificate to owners (even the fancy seal will shortly no longer be present) and to create a presumption of ownership and validity that is easily called into question. Ironically, despite the relatively high cost of the certificate ($35 Canadian compared to $10 U.S. for an American certificate), our government does not supply the same service as the United States system. In that country, the Library of Congress and the Register of Copyrights accept and indeed require copies of the actual work. This not only guarantees the existence of one of the world's finest libraries but also substantiates the actual content of the work being registered. The Canadian office has no choice but to refuse to receive and file a copy of the actual work. It seems clear that Canadian system should either be strengthened or abolished. At the moment, it serves little useful purpose. It does provide a presumption, but, as will be discussed below, that presumption is of little value in reality.

Theoretically, Canada does require that copies of a book be deposited with our National Library. Failure to comply can result in a small fine. However, there is no copyright sanction for failure to make such a deposit. This may be because such a sanction would be contrary to the Berne Convention's prohibition of formalities.[167]

Of course, we cannot require formal registration because that would be contrary to the Berne Convention. However, we can create a suitable and real presumption of validity that should be a sufficient incentive to file important works. This would not violate Berne. Another alternative would be to abolish registration and encourage the privatization of depositories for evidentiary purposes. There is already a precedent for this in the computer field where trust companies will serve as escrow depository agents for a valuable source code. As well, some private organizations have maintained deposits for other purposes, which could, in principle, be used to establish evidence of authorship and content as of a certain date.[168]

Another copyright issue begging for legislative remedy concerns retransmission. This problem dates back to the 1954 *Canadian Admiral* case[169] and one would have thought that it was finally put to rest in the 1988 amendments to implement the Canada-U.S. Free Trade Agreement. However, this is apparently not the case. Whether by inadvertence or design, the government opened up a pandora's box on the issue of the liability of networks and the definition of telecommunication. The 1965 case of *CAPAC v. CTV*[170] showed clearly what needed to be done. It was not done. Moreover, we now may have a situation in which a network escapes liability[171] for broadcasting (in any normal sense of the word) a musical work but an ordinary business office may be deemed to be communicating by telecommunication simply by virtue of using its facsimile machine in the normal course of business! Again, these are examples of legislation that breeds litigation.

Yet another copyright issue that has generated unproductive litigation is that of ephemeral rights, which was recently considered by the Supreme Court of Canada.[172] The Court upheld previous decisions which denied broadcasters the right to make and use so-called "ephemeral recordings" for purposes of delay and time-shifting. This is a universal practice, sanctioned by the Berne Convention revision in 1948. It is an issue not as yet considered by the

Parliament of Canada in the form of legislation. The Court was emphatic that this is an issue for Parliament to decide. Again, this is an example of major litigation that could have been avoided by timely legislation. Ironically, the legislation will still be necessary in any case, since the status quo following the judgment of the Supreme Court of Canada will not likely be acceptable to any of the many and major interested parties.

The government has shown that it can be decisive on copyright matters in certain cases, such as that relating to functional object protection.[173] The amendments introduced in 1988, to what is now s 64 of the *Copyright Act*, clearly and quickly resolved in a timely manner what threatened to be a major problem in the system. There was some controversy on this issue but is was quelled by the resultant certainty and decisiveness. It was resolved in favour of confirming that copyright cannot be used to prevent the reproduction of the functional aspects of utilitarian articles. The longer an issue is allowed to go unresolved, the harder it is to resolve it by legislation.

Another litigation related point about copyright law concerns the question of whether there should be statutory minimum damages in order that infringement actions can be taken on a realistic basis when the actual damage awards recoverable may not be high but the deterrent effect is important. This is discussed further below in Chapter VII.

Another example of a long-standing issue that warrants legislative attention when amendments are being made to the *Copyright Act* relates to the ownership of copyright, if any, in reasons for judgment delivered by judges. A debate has developed as to whether copyright subsists at all in the text of reasons for judgment. If copyright subsists in the text, where does ownership lie?[174] Since it is in the interest of the public that the text of reasons for judgment should be as widely distributed as possible, it is argued that the *Copyright Act* should be amended to exclude reasons for judgment from protection under the Act. The catch phrases and headnotes and other added material would continue to be subject to copyright and owned according to well-established principles. It is, perhaps, beyond the scope of this paper to make a recommendation on this controversial issue but consideration should be given as to whether reasons for judgment delivered by members of a Court of Record should be stated to be in the public domain.

One final major point about copyright law is in order. The remedies in the *Copyright Act* are clearly cumulative. One can obtain damages, lost profits, and relief from conversion as well. There will clearly be cases when this cumulative burden could be oppressive and unfair to defendants. Likewise, the failure to permit cumulative damages in patent or trade-mark cases may be said to be unjust to plaintiffs in some instances. In any event, what is needed is a consistent policy, greater uniformity, and perhaps, specificity as to when cumulative remedies should be allowed. One cannot believe that the present patchwork quilt is entirely deliberate in its design.

PRESUMPTIONS IN COPYRIGHT CASES

The presumption issue is a particular problem for the collectives, since it is difficult for them to affirmatively prove a title in many cases, there being such a complex chain of assignment and licenses. A determined defendant can put a plaintiff to a great deal of expense (which may, of course, ultimately backfire on the defendant) by making the plaintiff positively prove title to the works in question. However, sometimes a defendant can, in effect, "bluff" a plaintiff over the title issue by putting it in issue and requiring proof. This can be a real problem, especially when the author may be a very famous and busy personality.

On the other hand, defendants need some protection as well. Defendants should not be subject to law suits by non-exclusive licensees who may have a dubious claim at best and may be in no position to grant a release effective against other potential plaintiffs. A partial solution might involve a simplified "small claims court" procedure for routine infringements of lower dollar value. This is discussed further below in Chapter VIII. Another solution might be to strengthen the current presumption. If this step is taken, it would be wise to provide that a defendant is entitled as of right to true copies of the documentary evidence establishing a chain of title. Any further unnecessary discovery or contesting of the issue of ownership would result in costs against the defendant in any event. A copyright registration system cannot hope to be a Land Titles system in terms of content and accuracy, much less to serve a guarantee function. However, the plaintiff's need to expeditiously prove title and the defendant's reasonable desire to avoid being sued by the wrong person need to be carefully balanced.

Another problem facing new collectives at the present time is the unwillingness or inability of the government to complete its 1988 legislative package on collectives. At the time, it was explicitly promised by the Government that corresponding exemptions would be introduced to clarify and circumscribe the power of the collectives. This has not been done, with the result that negotiations are in a state of limbo. Users are unwilling to pay for rights they feel will not survive the introduction of new legislation and collectives are attempting to negotiate from the strength of the current status quo of the law, mindful however lest such an initiative might provoke more generous exemptions that might otherwise obtain. This status quo is satisfactory to no one. Parties should be entitled to negotiate on the basis of actual, not hypothetical, law.

INDUSTRIAL DESIGN

A registrable industrial design is generally considered to be a design applied to an article that itself has a functional aspect apart from merely bearing the design. The Court tends to apply the categories in the English Act to the type of design, namely features of ornamentation, pattern, configuration, or shape.

This legislation is largely the same as it was when first passed in England in 1842. No progress has been made since Maclean, J.'s scathing judgment in 1929.

> "The scope of this part of the *Trade Mark and Designs Act* [now the *Industrial Design Act*] is difficult of definite ascertainment or construction. It is a piece of legislation that seems flimsy and incomplete, ill-adapted for its intended purposes, and is seriously in need of amendment."[175]

Much unnecessary litigation and gradual decline and weakening of the statute has ensued since. The call still remains unheeded since 1929!

There is no statutory definition as to what qualifies as a registrable design. The person who may apply for a registration is restricted. The marking provisions are draconian. The rights against vendors of an article bearing an offending design are doubtful. Registration responsibilities are conferred on a Minister of the Crown and appeals from the Minister as to registrability must actually be taken to the Governor in Council, which is to say to Cabinet.

The legislation has not improved with age. We purport to value the importance of our industrial design expertise and capability in this country. Many government studies have looked at this statute, including a recent and most comprehensive study by William Hayhurst, Q.C. in 1990. One can only hope that a way is found to address this lamentable piece of legislation before yet another century passes by.

OTHER MATTERS

There are other matters that to a certain extent cut across all of the intellectual property statutes. These merit attention.

Limitation Periods

There is no consistency amongst the various intellectual property statutes and in turn between federal and provincial law regarding limitation periods for intellectual property litigation. A limitation period sets out a time following the taking place of the cause of action (e.g. when the infringement occurred) or when the plaintiff knew or ought to have known that the cause of action arose. After the expiry of the limitation period, the action can no longer be pursued. The purpose of this concept is to ensure some certainty in the system and the world of commerce. The *Copyright Act* contains a specific provision providing for a three year limitation period.[176] There is no similar provision in the *Patent Act*, or the *Trade-marks Act*. The *Industrial Design Act* contains a one year limitation period.[177]

Where the Federal intellectual property statutes are silent as to limitation periods, it has been held that the applicable law is that of the province in which the cause of action arose.[178] Thus, the limitation period in Quebec for a patent action is two years, whereas in the other provinces it is six years. In principle, there is no reason to differentiate. Also in Quebec, the limitation is in the form of a prescription whereby the action is extinguished, rather than rendered unenforceable.[179] This distinction can be of great significance in particular cases, for example where a plaintiff has commenced an action within the requisite time period but misnamed a party defendant.

In keeping with the principle of this study stated elsewhere to shorten the time between the cause of action and its ultimate disposition, I would recommend that a statutory limitation period of three years be instituted under all of the Federal intellectual property statutes.[180]

Status of Non-Exclusive Licensees and other Matters

Section 55(1) of the *Patent Act* provides that a patentee or any person claiming under him or her is entitled to damages sustained by reason of an infringement. This statutory remedy is not only available to the patentee but to non-exclusive licensees.[181] The full implications of a right of action to a non-exclusive licensee have not yet been fully explored in Canada.

An alleged infringer could be liable to a large number of claimants. How is the defendant to know which of many potential plaintiffs he or she should deal with? The only safeguards would appear to be the requirement that a plaintiff must establish actual damages and that the patentee be joined.[182] By virtue of the joinder of the patentee, the infringer can at least in theory determine the number of other possible claimants through the discovery process and thereafter negotiate for indemnification. However, there is no requirement for registration of non-exclusive licensees and there is no effective sanction for non-recordal of exclusive licensees under s. 50(2) of the *Patent Act*. Discovery through a law suit is a terribly expensive way of getting at the basic information. Consideration should be given to a real sanction for non-recordal of licensees. One way of achieving this purpose might be to provide that no cause of action can accrue to and no suit can be maintained by any non-recorded licensee.[183] The problem remains, however, to require the disclosure or recordal of all persons having a claim under the patent once an action has been taken.

Under s. 57 of the *Patent Act*, the court has the discretion to grant an injunction or an account of profits against the infringer of a patent. It is customary for the court to give the successful patentee the right of election to claim damages or an accounting of profits. The statutory basis for the right to an accounting of profits has been questioned, however. Section 57(1)(b) of the *Patent Act* provides that in any action for infringement of a patent, the court may, as it sees fit, provide relief by way of injunction or account, etc.[184] However, s. 57 has been interpreted as providing a statutory basis for a claim for accounting of profits. The old English cases based upon a similar section support this proposition.[185] However, s. 60 of the United Kingdom *Patent Act* of 1949 made specific provision for a Court to grant relief of an account of profits.

The argument advanced against this proposition that an account of profits is an available relief is that when s. 57 is read as a whole, it relates to remedies within an action, that is to say interlocutory matters. If this is correct, then a permanent injunction after trial would flow only impliedly from the grant of an exclusive right to the patentee under s. 42 of the *Patent Act*, or in the alternative the equitable jurisdiction of the Federal Court under the *Federal Court Act*. The right to such relief is generally accepted. An authoritative decision or a legislative clarification would put the matter beyond doubt.

Traditionally, injunctions are of three types. These are interim (very short duration, obtained usually *ex parte* on an emergency basis), interlocutory (longer, perhaps until trial, obtained upon affidavit evidence of both parties), and permanent (after judgment). In a patent action, ordinarily, interim or interlocutory injunctions will not be granted in the absence of a clear case or unless the patent has been previously successfully litigated.[186] The Federal Court has accepted an enlarged jurisdiction to grant an Anton Piller order or a Mareva injunction.

It has also been held that an assignee of a patent cannot sue for damages that accrued prior to the issuance of the patent or prior to the assignment.[187] In my opinion, this finding is not consonant with principle. As long as the assignment is *bona fide* and not just an assignment of a bare cause of action, an assignment of a patent together with the right of the assignee to sue for past and future infringement ought to be permissible. Under the present rule, the assignees right to sue for infringement that occurred prior to the assignment would appear to be extinguished. This situation warrants either judicial or legislative action. Whether this unsatisfactory principle expounded in Burns & Russell is limited to patents is not clear.[188]

In trade-marks, copyright and industrial design law, we find little consistency with that of patent law on such basic questions as the status of nonexclusive or exclusive licensees to sue and that of the issue of assignment and accrual of causes of action.[189]

Much wasteful procedural litigation could be avoided if these issues were rationalized and harmonized as amongst our various statutes.

Crown Immunity

It is my opinion that the state of the law as to Crown immunity with respect to intellectual property matters warrants legislative enactment. Whether in the right of Canada or in the right of the provinces, the Crown today is active in a multitude of activities. Intellectual property laws ought to be made applicable to them and to the Crown corporations created by them. Moreover, the law should be applied to each of them in a uniform manner.

The recent decision in the Federal Court Trial Division in the case of *Youssef Hanna Dableh v. Ontario Hydro, Hydro-Québec and the New Brunswick Electric Power Commission* by Dubé J. (1991), 33 C.P.R. (3d) 544, illustrates the absence of uniformity amongst Crown companies. Ontario Hydro was found to be within the jurisdiction of the Federal Court in patent infringement cases; on the other hand, New Brunswick Hydro and Quebec Hydro were found to be outside its jurisdiction. In the copyright case of *Trainer Surveys (1974) Ltd. v. New Brunswick* [190], it was found that the *Federal Court Act* was not sufficiently specific to provide the Federal Court with jurisdiction to entertain a copyright infringement action against the Province of New Brunswick. McNair J. held that the traditional immunity of the Provincial Crown and its agencies from suits in the Federal Court in copyright infringement matters has not been abrogated.[191]

The relation of the Federal Crown and its agency was considered in the case of *Formea v. Polymer*,[192] and as to the Provincial Crown in *Slater v. R. Payer* (1968), 55 C.P.R. 61.[193]

I would recommend that Her Majesty, whether in the right of Canada or in the right of a Province and their respective Crown agencies, be made subject to each of the intellectual property statutes to meet the provisions of s. 17 of the *Interpretation Act*.[194] I recognize I have not addressed any constitutional problems that might arise in relation to the Provincial Crown and its agencies.

CHAPTER IV - CONCLUSIONS/RECOMMENDATIONS

AREAS OF IP - PARTICULAR ASPECTS OF LITIGATION

I. **Interrelationships of statutes dealing with intellectual property should be more consistent and updated.**

II. **The remedies and presumptions in each of the four aspects of industrial property acts should be more consistent.**

III. **There should be more timely updating of statutes or their interpretations to enable them to define clear principles in the public and private interests which they are designed to serve.**

IV. **There should be a uniform limitation period of three years under all of the Federal intellectual property statutes.**

V. **The status of licensees to sue should be harmonized, rationalized, and clarified amongst the intellectual property statutes.**

VI. **The intellectual property statutes should be made specifically applicable to Her Majesty the Queen in right of Canada and federal crown agencies. Subject to constitutional rights, the statutes should be made applicable to the Crown in right of the Provinces and crown agencies.**

CHAPTER V

ARBITRATION

Arbitration is a mechanism for dispute resolution that has a growing attraction for disputants in the intellectual property field. Historically, multinational companies have preferred court disposition rather than arbitrated disposition of disputes. The advantage of the court system is that the procedures are known and the courts are generally, within limits, predictable in their process, if not necessarily in their substantive result. Large companies are generally very familiar, through experience, with the court process as a mechanism for dispute resolution.

However, there are growing signs that both large and small companies alike are becoming less enchanted with the structured court system and more interested in the unstructured but flexible system available through arbitration. Parties are increasingly choosing to leave the disposition of complex technical issues to individuals with special expertise in such matters to avoid or limit protracted and expensive "expert battles" often associated with litigation before the courts. In my experience, arbitration is a most satisfactory method to resolve intellectual property disputes provided the participants cooperate with the arbitrator and each other in the proceedings.

The "Report on Business" section of the *Globe and Mail*, November 22, 1990 reproduced, at page B12, an article from *The Economist* magazine under the heading "When Courtroom Justice is Just Too Expensive" and the subtitle, "Many U.S. companies replace litigation with arbitration, mediation and cooperation". The article explains that 17 of the biggest companies in the United States support an initiative to cause the signatories to commercial contracts to require mediation of disputes as an initial step. Failing resolution on mediation, the parties agree to final and binding arbitration. Another initiative gaining favour is that of mini-trials where executives of the disputing parties seek to resolve the issues after short and pointed presentations on them. The article contains the significant statement that "A survey by the American Bar Association suggests that mini-trials have an impressive success rate of 85 per cent." It is apparent that unless the cost and delay incident to litigation especially in intellectual property matters is addressed with imagination and conviction, litigants will resort to other methods and mechanisms for dispute resolution.

Arbitrators can deal with the matter expeditiously. They are not bound by the constraints of a large court bureaucracy. They can work on weekends or in the evenings. They are not constrained by a court calendar. They can, and usually do, sit in private alone with the parties and their advisors. The hidden cost of management time can be reduced to a minimum.

Arbitration provides the advantage of flexibility both in procedure and in the remedy flowing therefrom. An arbitrator, if experienced, can deal with procedural matters quickly avoiding endless motions and technical evidentiary conflicts traditionally associated with litigation. The judicial process generally limits remedies to two: damages and injunctive relief. By limiting the possible remedies to a given conflict, the judicial system often fails to satisfy the needs of either party. In so far as compromise is not an option encouraged by the adversarial atmosphere of a court proceeding, parties risk alienating their opponents. This may be of particular concern if opponents have an ongoing relationship which must survive the conflict.

Arbitration is usually a private matter, and can be as confidential as the parties wish (unless appeals to the court or enforcement difficulties ensue). Although the courts and tribunals are quickly becoming more accustomed to "in camera" stages where commercially sensitive information is involved, the judicial and administrative law approach is still fundamentally premised on an open court system. Even confidentiality orders are not necessarily absolute in their nature in the courts.[195] Arbitration is just the oppositive. Normally arbitral proceedings are subject to judicial supervision if the arbitration fails to give effect to principles of natural justice but, overall, decisions of arbitrators are far less likely to be appealed than those of judges.

Usually, the parties will deal with the matter of an appeal in the submission to the arbitrator. In the absence of an agreement permitting an appeal, judicial review is confined to establishing a denial of natural justice (e.g. bias or procedural unfairness, corruption, or misconduct) or that the arbitrator exceeded his or her terms of reference.[196]

It is noteworthy that in the U.S.A. there was an historical reluctance to have certain types of cases dealt with by arbitration. The U.S. courts have been wary of allowing the arbitrated disposition of matters seen to affect the public interest: the classic examples being patent validity and antitrust issues.[197] However, this attitude is changing in the U.S.A. and was never deeply felt in Canada. It is to be noted that the United States Congress has recently encouraged and in limited circumstances required[198] the use of arbitration in intellectual property cases even where validity is involved, but of course any such determination will be binding only against the parties to the arbitration and not *in rem*[199].

Historically Canada has been considered an inhospitable forum for commercial arbitration. We have had a reputation in international arbitration circles of being a vast "no man's land".[200] In contrast, American and European arbitration institutions are far better entrenched.[201] As of 1986 the American Arbitration Association has grown to an organization with offices in 25 cities, handling over 45,000 cases per year. In Europe, the International Chamber of Commerce which was established in Paris in 1919, had an annual arbitration case-load of between 600 and 650 cases as of 1985. The London Court of International Arbitration has been in existence since 1892. The Arbitrators' Institute of Canada Inc. was chartered federally in 1974.

Until 1986, Canada was the only industrialized nation not a signatory to the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards of 1958. There was no federal arbitration law and the provincial arbitration statutes were antiquated, thereby discouraging foreign and Canadian companies from arbitrating their disputes. On August 10, 1986, Canada acceded to the Convention (the New York Convention) with the assurance from the provinces that they would support the federal action by passing the necessary provincial legislation. By the time Canada acceded to the 1958 New York Convention, the UNCITRAL Model Law on International Commercial Arbitration had been adopted by a committee of the United Nations.[202] With the cooperative momentum already established the federal and provincial governments proceeded to enact legislation adopting the Model Law.[203] Canada has finally moved forward to a modern system of international commercial arbitration.

Greater acceptance and use of arbitration will, in effect, provide an incentive to the courts to become more efficient and expeditious. Otherwise, disputants will simply take their business elsewhere, often to an arbitrator. One clear advantage of the arbitration system is that the parties jointly choose their arbitrator in commercial disputes. If a particular arbitrator is not seen to be fair, competent, efficient and fast, he or she will not likely be very successful. Such market driven factors cannot and should not come into play in the court system which is responsible for evaluating more than the mere interests of the parties. In intellectual property as well as other matters, the court must consider the public interest as well.

In my opinion, what is particularly significant to this study is that arbitration can, in many ways, be complementary to the court system. For example, provision could be made to have certain highly technical or fact oriented matters within a trial determined by an arbitrator. Prothonotaries are presently dealing with the lengthy issues of damages or accounting for profits. There may be other areas in which the court could benefit from the report of a trained arbitrator, and thus be freer to deal with more important points of law, affecting the public interest and to concentrate on the ultimate issues in the case.[204]

Arbitration is particularly suitable where there is a conflict as to complex factual issues. Examples of when a court might find it useful to turn to an arbitrator within the context of a trial might be the following.

In a patent action, an arbitrator could become involved in the determination of the degree of advance in the art. Once the nature of the advance has been determined by the arbitrator, it would then be for the court to determine whether the degree of advance constituted patentable subject matter. In making the judicial determination, the court will then be reaching a conclusion based upon a factual finding made by the arbitrator.

In a copyright case, an arbitrator could prepare a report on the precise nature of the alleged plagiarism, based upon which the judge could decide whether infringement had occurred.

In a trade-mark case, the arbitrator could assist in determining whether surveys have been properly conducted, in the sense of meeting statistical and other technical standards of accuracy and professionalism.

An interesting recent example of the use of a court-appointed expert can be found in *Prometheus v. Jensen.*[205] In this case, the Court ordered the parties to appoint an expert to compare alarm designs and given an opinion whether the defendent's design uses the plaintiff's technology.

In the absence of an agreement by the parties on whom should arbitrate within a trial, the court could make the appointment. Fees of the arbitrator would be taxable costs in the cause. Where one of the parties is relatively disadvantaged in terms of resources, the court could have discretion to deal with the matter of costs of the arbitrator within the trial.

These examples of the use of an arbitrator would likely result in a net saving of time and costs for the parties, as well as the court itself.

As well, arbitrators should be able to turn to the court when necessary. Sometimes one party to an arbitration will be motivated to delay or obstruct proceedings. Arbitrators should be able, of their own motion, to turn to the court on procedural or legal questions arising in the course of arbitration. It should be kept in mind, in this context, that an arbitrator may not be a lawyer. He or she may have been chosen, and quite properly so, for their specialized knowledge of engineering or scientific matters. Such an arbitrator may need the opinion of a court on an important point of law. In such instances, an immediate judicial response is required.

It is often said that arbitration is less expensive than court proceedings to settle a dispute. However, this is not necessarily the case. In an arbitration, especially in intellectual property issues, the parties will need lawyers or, at least usually choose to use them. The arbitrator is paid by the parties themselves and not the state as is the case with a judge in a court of law. Nonetheless, discovery is more limited than in court litigation and can be more readily conducted under the supervision of the arbitrator where circumstances warrant. Appeals from arbitral awards are normally precluded by prior agreement. However, in some cases the parties may expressly agree to an appeal to the courts.[206]

Alternative dispute resolution techniques may be especially appropriate where the dispute involves a measuring of the parties' performance of an executory contract. Further, where an agreement between the parties provides a detailed description of their obligations - in essence the applicable law of the case - the ability of an arbitrator to create and monitor a resolution that will govern future conduct may be of considerable value, especially when an ongoing relationship between the parties is necessary as with, for example a licensing agreement.

In fact, courts, in Canada at least, are most reluctant to involve themselves in any relief or other remedy that requires an element of supervision or subjective evaluation. The system in the USA differs somewhat, where consent decrees in antitrust matters are sometimes overseen over a period of many years by one judge. Arbitration solves this problem by allowing for a long-term supervisory role for the arbitrator, if the parties so wish. This was a central feature of the IBM and Fujitsu matter discussed below.

The importance of commercial arbitration is illustrated in the resolution of an intellectual property dispute between two computer giants - IBM and Fujitsu.[207] The *IBM v. Fujitsu* arbitration is an excellent, well publicized example of a creatively structured combination of alternative dispute resolution techniques combining elements of arbitration, mediation, and private negotiation, tailored to address the particular matters at issue. It demonstrates the effective use of ADR in resolving the largest of conflicts: one between the largest computer company in the world (IBM) and the largest computer company in Japan (Fujitsu), with close to $1 billion (U.S.) owing to IBM as of 1989 for the past and future use of its intellectual property.

The arbitration award in that case constitutes a demonstration of the flexibility of ADR in meeting the particular complexities of a given dispute and the effective use of technical expertise to resolve matters of great complexity. It is also extraordinary in that it was, in substantial part, disposed of in two years. Although the speed of the resolution is in large part based on the fact that the matter involved interpretation of the parties' agreements rather than the determination of a proprietary dispute, nonetheless this is a very short time to resolve a dispute of this size and complexity.

Commercial arbitration is likely at the beginning of a rapid worldwide expansion. As our international commercial activities in intellectual property and other areas continue to grow we must ensure that Canadian companies do not face a competitive disadvantage because effective ADR mechanisms which may help to control litigation costs are unavailable. Significant legislative changes have been made to help bring Canada into line with commercial practices. Provincial "domestic" arbitration laws, other than those in B.C. and Quebec need to be updated.

The people of Canada must gain an understanding and familiarity with commercial arbitration if it is to be used effectively. Public and private endeavours must be encouraged for an improved framework to further facilitate private mediations and arbitrations. The government of Ontario has most recently responded to this need. On March 27, 1990, the Attorney General of Ontario announced that through the cooperation of government and private donors "The Fund for Dispute Resolution" has been created to "finance research into alternatives to the traditional litigation process". The fund will provide 1.25 million dollars in financing over the next four years; it will provide incentive to lawyers, social scientists, and community justice advocates to carry out research and evaluation in the field of alternative dispute resolution. In his address to the legislature on March 27, 1990, the Attorney General stated:

> "ADR techniques such as mediation and arbitration offer a complementary alternative to litigation, a traditional method of resolving disputes between parties in our justice system. ... The establishment of the Fund represents an extraordinary opportunity for co-operation between government and the private sector for blending the experience of judges and lawyers with that of mediators and arbitrators, academics and community justice advocates. ... Interest in Canada in applying ADR to a broader range of problems is burgeoning.

Arbitration and mediation do not provide a panacea for the problems of the legal system nor is their object the obsolescence of courts or judges. Above all, it is important to recognize that at the present time arbitration takes place only upon consent of the parties. I would also propose that arbitration could be ordered by a court to deal with particular issues.

On the contrary, arbitration and mediation offer an opportunity to work in harmony with the judiciary to establish appropriate and more effective ways to resolve disputes involving intellectual property and a broad variety of disputes. The words of Burger, C.J. U.S.S.Ct. are telling:

> "As the work of the Courts increases, delays and costs will rise and the well-developed forms of arbitration should have wider use. Lawyers, judges and social scientists of other countries cannot understand our failure to make a greater use of the arbitration process to settle disputes. I submit that a re-appraisal of the values of the arbitration process is in order to determine whether ... arbitration can divert litigation to other channels".[208]

CHAPTER V - CONCLUSIONS/RECOMMENDATIONS

ARBITRATION

I. Arbitration as a mechanism of dispute resolution should be encouraged. Assistance should be given to the establishment and maintenance of and infrastructure of trained arbitrators having expertise in intellectual property matters.

II. Promotion of and or funding assistance for the creation and publication of an Intellectual Property Arbitration Guide similar to the "Patent, Trademark and Copyright Arbitration Guide" which has been produced by the American Arbitration Association

III. Arbitration should be more closely integrated into the judicial process through case management and should be used to resolve discrete parts of law suits where appropriate. Further study should be undertaken to determine what amendments to the intellectual property statutes and the *Federal Court Act* and Rules may be necessary to give effect to this recommendation.

IV. Further consideration should be given as to whether legislative amendments are necessary and or desirable to ensure that intellectual property validity and infringement issues may be arbitrated as between the parties.

CHAPTER VI

TRADE AND INDUSTRY - STRATEGIC ASPECTS OF LITIGATION

The Uruguay Round of the GATT negotiations, now underway, has focused attention as never before on the relationship of the intellectual property system to international trade. It has created a heightened awareness not only of the merit of effective protection for intellectual property but of the potential for intellectual property laws to be used as a tool to enhance or impede the international flow of goods and information.[209] At the time of finalizing this report (March, 1991), it had been expected that the GATT negotiations would have been concluded and it was my intention to refer to the outcome and its implications for this report. However, the negotiations have been suspended for the time being.

At the very least, it is safe to predict that the very fact that trade-related aspects of intellectual property were so prominently "on the table" in the Uruguay Round will have a profound effect on the future of intellectual property and the way it is dealt with by national governments and the World Intellectual Property Organization. This Round has already shown that there are not only profound differences in view between developed and developing countries but amongst developed countries themselves. Whether the future has in store more harmonization or more polarization is not clear at this time; however, the Uruguay Round will have had an important effect if for no other reason than it took place and included intellectual property as one of the main agenda items.

The Canada-U.S. Free Trade Agreement will inexorably lead Canada into the adoption of an industrial strategy. This strategy, in turn, will direct industry into those areas of industrial activity where Canada enjoys a natural advantage. Our abundant resource base will dictate areas where that natural advantage exists. That advantage must be enhanced by research and development. Industrial property initiatives and incentives constitute an essential mechanism to achieve that purpose.

Much of the discussion in the Uruguay Round has focused upon "enforcement" of intellectual property rights. Basic issues include the questions of what is adequate and effective, what constitutes due process, and what constitutes national treatment. [210]

If traditional tariffs are reduced worldwide in various free trade zones, and overall through the GATT, one can still rest assured that business people will seek protection through whatever measures they can find. One of the main measures will doubtless be through intellectual property rights, or IPRs as they are known in the GATT context. Although much of the rhetoric in the GATT round is devoted to removing barriers created by IPRs, there is, fortunately, an awareness that IPRs can be used to create barriers to trade, most notably through overly high levels of protection and overly zealous enforcement of rights, particulary at border points of entry. Intellectual property rights could become more and more a form of "private tariff" in the hands of litigants seeking protection by any possible means.[211]

The U.S.A., which was the original "demandeur" for intellectual property discussions in the GATT, has been somewhat contradictory in certain respects in its publicly stated positions. It is calling for higher levels of rights in some respects than it has been able to achieve hitherto in its own Congress. It is opposed to moral rights for creators of copyright and the first to file principle in patent law. But perhaps most germane to this study, it is reluctant at best to implement a clear cut GATT panel report declaring its notorious s. 337 of its *Trade and Tariff Act* to be in contravention of the GATT.

As international trade becomes more and more important, and as disputes become more and more international and multinational in scope, it is increasingly clear that our own litigation system as well as the overall system must adapt in order to resolve disputes effectively and efficiently.

What are the possible impacts of the GATT negotiations on Canada's litigation system?

- possible international dispute settlement mechanism
- possible elimination/modification of U.S. s. 337/301 extraordinary trade remedies
- possibly greater access to enforcement in developing countries
- trend to greater internationalization of adjudication and acceptance of European Community Court of Justice model, i.e. for international disputes.
- greater attention to legal issues such as exhaustion of rights, parallel imports, border enforcement measures, standards of protection, and reexamination of compulsory licensing provisions, particularly with respect to pharmaceuticals.

One point seems very clear. In order for Canada to prosper in this climate of international change and evolution, Canada must excel in ways that are not subject to clever manipulation of the international trade system by more sophisticated or simply more powerful traders than ourselves. This means that we must innovate better than our competitors. Only in this way can we beat our competitors at their own game; otherwise, they will beat us. Our law must therefore reflect Canadian interest. If we have confidence in our ability to innovate, to trade effectively, and to create in the cultural sphere, we must encourage our inventors, innovators and creators by providing adequate domestic protection through intellectual property rights.

At the same time, Canadian grants of protection to non-Canadian interests should reflect Canadian aspirations and Canadian needs. For example, do we wish to encourage production in Canada and at the same time ensure international competitiveness and reasonable prices to Canadian commercial users and consumers of goods and services embodying intellectual property rights? Our compulsory licensing system, as to working an invention in Canada on a commercial scale, is an attempt to encourage manufacturing in Canada, by providing that failure to do so entails the risk of a grant of a compulsory license to another person to manufacture in Canada upon reasonable terms. The rationale of this system is to encourage Canadian employment and to ensure adequate competition. Interestingly, the U.S.A. avoids explicit compulsory licensing in its statutes, but provides, in effect, an even more flexible judicial system through its elaborate and complex doctrine of antitrust abuse and the voluminous case law under the *Sherman* and *Clayton* Acts. This is an example of how litigation has led and even replaced legislation in achieving a policy that seems to have worked well for the U.S.A.

EXHAUSTION

Another doctrine in which there is an important nexus between international trade and the litigation system concerns the pervasive question of parallel imports or exhaustion of rights. "Exhaustion" of rights is a recognized term in the European Community. In English and Canadian law, we tend to speak of an implied right to resell anywhere in the world goods legitimately acquired, unless that right is negated at the time of purchase. However, there is a growing trend towards acceptance by economists and others of the principle and terminology of "exhaustion", which has a broader implication than that of "implied right".

The connection of this issue with the current study may not seem obvious but it is important nonetheless. This is because the issue of exhaustion is so potentially fundamental to both international trade and the subsistence of intellectual property rights, particularly in Europe, that business people will probably litigate more and more over these issues, and, as a result, they will have a profound effect on international trade. It will be incumbent upon the government to realize just how important this field of litigation could become and to take whatever action is best for Canada in a timely manner.

Intellectual property rights are essentially national in scope, but through the doctrine of national treatment and the main conventions, we extend the same scope of protection we give to Canadians to nationals of other countries belonging to the Berne, Paris, and Universal Copyright Conventions. As well, the basic philosophy of free and efficient trade as espoused in the GATT and elsewhere would seem to indicate, *prima facie*, that there should be as much international trade as possible and goods should flow as freely as possible. The basic doctrine of exhaustion as established in the European Community holds, quite simply, that once a good embodying intellectual property is legitimately put onto the market with the rights owner's consent, the right to deal further with that good is "exhausted". The article can then be bought, sold and otherwise disposed of without further interference by the rights owner (who has already been paid) and can flow across international borders. On the other hand, many holders of intellectual property rights, especially the branch plant licensees of such rights, favour the concept of being able to control the allocation of goods on a national territorial basis, at least, so that investment in a national plant or distributorship or publishing company will not be undermined by a flood of cheaper, though not counterfeit, articles, from another territory. Many head offices of multinational companies also favour territorial control so as to be able to price discriminate more effectively as amongst countries. Others are indifferent, believing that a sale is a sale is a sale. This is not the time or place to set forth the extremely complex legal framework of this issue, or to discuss the policy ramifications for Canada.[212] However, a brief explanation is needed to fortify the nexus referred to above.

Exhaustion of rights is a European market concept. It has not been applied as such in Canada. We apply somewhat the same principle flowing from the 1871 decision of *Betts v. Wilmott*[213] that the purchaser of a patented article in one country enjoys an implied license to sell the article in any country in the world. However, the vendor of the article by contract or by notice may deny the license. The full scope of the common law rule of implied license has not yet been explored in Canada.

The exhaustion issue is probably most important, economically, in the area of trade-marks law, since there is an enormous amount of international trade in goods protected by trade-marks law. It is no coincidence that many of the major lawsuits involving exhaustion have developed in this area. As usual, when legislation is ambiguous and the legislature is indecisive, business will take matters into its own hands and use the litigation system to achieve its purposes. The basic purpose of the *Trade-marks Act*, as noted elsewhere in this report, is to provide a system that distinguishes the wares and services of one trader from those of another. It enables a trader to protect itself from unfair competition. The public benefits by knowing that there is a single or controlled source of the goods. Members of the public can expect a consistent quality of goods and services sold under a trade-mark. This doctrine is also at the root of our registered user system, also discussed elsewhere in this report. There have been many attempts in Canadian litigation to use the *Trade-marks Act* to enforce territorial divisibility of rights. Virtually all these attempts have failed because, where there was a registered mark, the structuring of assignments and licences prior to the litigation resulted in a finding that the trade-mark was no longer distinctive of the registered owner. To the trader who wishes to use trade-marks to segment national markets by excluding parallel imports, the results have been discouraging. There is some speculation that this may be changing and that owners of a registered trade-mark in Canada may be able to so arrange their affairs as to enforce territorial divisibility. However, no conclusions can yet be drawn or predicted in this very complex area of evolving case law.[214]

In most instances, the interests of the owner of a trade-mark in protecting the mark and its good will coincide with the interests of the public in ensuring consistent quality to the consumer, thereby avoiding a deception to the purchaser. The sale of "grey goods" and the principle of "exhaustion of rights" constitutes an exception. Owners wish to protect the mark against the sale of their own goods purchased in one territory and sold advantageously in another territory. The public interest is in a lower price to the consumer of the genuine article, assuming that the quality is equal. This question also raises the issue of a trade-mark having a limited territorial area of protection as opposed to universal protection crossing borders. In Canada, our decisions have moved in both directions.[215] A limited attempt to resolve the issue is found in s. 51 of the *Trade-marks Act* relating to pharmaceutical products.

On the other hand, the *Copyright Act*, through ss. 27 and 44 expressly contemplates the exclusion of foreign editions of a work when there is a separate Canadian rights owner.[216] Yet, for reasons that are less than clear and involve a long-standing administrative policy known as the "Varcoe Ruling", this right is often nugatory in that it results in an exclusion order as against all imported books, including those which the Canadian publisher itself may want to import. The present legislative and administrative status of this issue leaves much to be desired and is still remarkably uncertain in its application after many decades, despite its political sensitivity and economic importance.[217]

Neither the *Patent Act* nor the *Industrial Design Act* contains similar exclusion provisions as are found in the copyright or trade-mark legislation. And yet, patent law by its very nature arguably lends itself to and is intended to permit territorial divisibility of rights and segmentation of markets. After all, the patentee must go to great trouble and expense to obtain patents in each country where protection is sought. Therefore, one would think that borders should be respected by the governments who charge so much for granting the right. The principle of an implied license in the sale of an article was first defined in a patent case. That case contemplated that, at the time of sale, the patentee could deny the license by agreement.[218] The implied license might also be denied by the patentee giving notice at the time of sale such as "Not for sale outside of Canada" on a package. However, it is then open for a trader to repackage the goods so that third parties can purchase in innocence of the condition.

Moreover, in the case of both s. 52 of the *Trade-marks Act* and s. 44 of the *Copyright Act*, the Federal Court has interpreted the legislation narrowly so as to allow exclusion orders involving Revenue Canada Customs only when there has been a final judgment on the merits of the case.[219] This is not a welcome state of affairs for the Canadian rights holder who might have believed that

Parliament meant to help him or her exclude parallel imports. Thus, if Parliament has spoken on this issue, its message is not clear.

In the European Community, the issue of grey market goods has taken on a whole new dimension with the Treaty of Rome. Article 36 of the Treaty deals with the free flow of goods. Article 59 deals with the free flow of services. Article 85 deals with restrictive contracts and Article 86 deals with dominant position. (It is interesting to contrast these important provisions in the Treaty of Rome with the absence of any similar provisions in the Canada-U.S. Free Trade Agreement). A myriad of cases under the Treaty of Rome have held, essentially, that intellectual property rights cannot be used to restrain the flow of goods within the community, since this would be anti-competitive. However, such rights can be used to keep goods out of the community, consistent with the "Fortress Europe" approach that is becoming more and more evident.

This issue of "exhaustion" and, as we know it, "implied license" is potentially of great importance for Canada, and is one in which I believe that the litigation system will likely play a determinative role, unless Parliament decides to intervene. But this will be no easy task for Parliament, since the issues are so inherently controversial and complex. Possibly for this reason, the issue was apparently ignored in the Canada-U.S. Free Trade Agreement, or if it was considered did not see the light of day in the final text. It would be surprising if it is dealt with in the GATT agreement, given the apparent difficulties to date on far simpler issues. In the end, it will likely be determined by the courts handing it back to the legislature after very costly litigation that in the end simply demonstrates to the government that the issue is indeed one to be reckoned with[220]. But, in the meantime, we will want to optimize the chances that this issue will be given every informed consideration by our courts. It will take the finest consideration of judges to do so. I will have more to say below in Chapter IX about the interplay of litigation and legislation.

DISPUTE SETTLEMENT

One of the main reason that intellectual property is included in the Uruguay Round of the GATT is the desire by some, especially the United States and Canada to some extent, to see an effective dispute settlement regime in place, both at the national and international levels. As noted elsewhere, there is considerable irony in this state of affairs since the U.S.A. has conditioned its acceptance of the recent GATT Panel decision on "s. 337" on the outcome of the current Uruguay Round of negotiations.

Dispute settlement at the international level generally arises from a private dispute or lawsuit where there is a matter of principle involved that would lead one government to take issue with another. When a dispute reaches this level, the allegation usually entails the accusation that one country's laws do not conform with a treaty in a specified way, or are not being enforced in a way consistent with the treaty. In some countries, the domestic courts can determine such a question. In Canada, intellectual property treaties are, at best, a guide in interpreting our domestic law where such law is ambiguous.[221] The treaty principles are only part of our domestic law when implemented by Canadian legislation. A treaty is not directly enforceable as such in the determination of parties rights in a domestic lawsuit.[222] Any effective dispute settlement mechanism at the international level is bound to be welcome news for Canada. It would provide us with greater clout against the major powers or trading blocs than we now seem to enjoy. I should emphasize the word "effective" since the Free Trade Agreement mechanism for dispute settlement does not yet seem to be effective. Despite the efforts involved in its application, it results only in recommendations to governments and Canada to date has not fared well in the process.

It is my opinion that an effective dispute settlement mechanism at the international level is a matter that should receive the support of our international negotiators.

OTHER INTERNATIONAL ASPECTS

The *Foreign Extraterritorial Measures Act*[223] authorizes the Attorney General of Canada with the concurrence of the Secretary of State for External Affairs to prohibit any person in Canada from complying with measures affecting international trade or commerce which would likely adversely effect significant Canadian interests in relation to international trade. This provision has had significant implications in the intellectual property field in respect of transborder trade between Canada and the U.S.A. The compulsory license provisions of the Canadian *Patent Act* were designed to encourage manufacture in Canada. Importation into Canada is one of the provisions of abuse giving rise to a compulsory license. Prior to the enactment of the *Foreign Extraterritorial Measures Act*, conflicting interests between Canadian aspirations under the compulsory license provisions could be thwarted by decisions of a U.S. court exercising *in personam* jurisdiction over the parent of a Canadian subsidiary.[224]

All of the recent talk about competitiveness seems to ignore the fact that this is a competitive world. Where there are winners, there are also losers. It is difficult for us to win in the long run in the game of trade-related incentives for Canadians. We lack the critical mass to enforce our weight in this arena. However, Canadians innovate with the best of the international players and we must concentrate on this strength.[225] As indicate above, the Free Trade Agreement will force Canada to concentrate on production in those areas where we have a natural advantage. It will force a national strategy on us. Our intellectual property laws and their enforcement in our courts must reflect the new forces leading to a rapidly changing world. This principle is aptly reflected in the "purpose" clause (s. 1.1) of the *Competition Act* which takes into account domestic and foreign competition and world markets in the analysis of competition issues.

CHAPTER VI - CONCLUSIONS/RECOMMENDATIONS

TRADE AND INDUSTRY - STRATEGIC ASPECTS OF LITIGATION

I. Canadian intellectual property laws should be reexamined in the light of new trade-related problems that will arise from free trade and other trade-related initiatives to support Canadian manufacture.

II. Effective intellectual property laws should be integrated with the development of technology and Canada's industrial strategy.

III. There should be further study and awareness of the US system of fully adjudicated compulsory licensing under antitrust doctrines. There may be useful lessons for Canada in this example.

IV. As trade becomes more liberalized, Canadian policy makers and drafters of any legislation dealing with intellectual property must realize that the private sector will make every effort, through litigation if necessary, to use intellectual property laws as protectionist barriers to trade, in effect, as private tariffs.

V. The doctrine of exhaustion, or as Canada applies it "implied license" is crucial to international trade. If not thoroughly understood by legislators and dealt with by Parliament, it may be determined, and quite possibly eliminated, through litigation.

VI. Canada should strive to achieve more efficacious international dispute settlement mechanisms both for private and public international law issues involving intellectual property. This will not only lessen litigation but increase Canada's strength vis-à-vis stronger economies.

VII. A policy should be adopted as to Canada's position on efficient and effective border enforcement for the protection against counterfeit goods and pirated works.

CHAPTER VII

COMPETITION, ACCESS TO THE COURTS, AND CRIMINAL LAW

This chapter deals with three different but philosophically related issues concerning the interrelationship of intellectual property law with competition law, access to the courts and the role of criminal law.

COMPETITION LAW AND INTELLECTUAL PROPERTY

One cannot ignore the relationship between intellectual property rights on the one hand which create monopoly interests and competition or antitrust law on the other hand which is intended to discourage such interests. Philosophically, intellectual property rights stand as a major exception to anti-monopoly principles. But that exception is not absolute.

It is generally recognized that intellectual property rights are rights, which when exercised in accordance with their intent, serve the public interest. However, the potential for abuse exists where such rights are exercised in an anti-competitive manner. The European Community in its interpretation of the Treaty of Rome distinguishes between the existence and the exercise of intellectual property rights in this context.

For the purposes of this study, there are two main ways in which intellectual property and competition law potentially interrelate. The first concerns abuse in the exercise of the right. In this case, the right holder will likely be the defendant in a proceeding. The second concerns abusive litigation, in which an intellectual property right is used as a sword by a plaintiff for an inherently anti-competitive purpose in the litigation system.

With respect to the first situation, concerning abuse in the exercise of intellectual property rights, Canada has had a provision in its *Competition Act* for many years to deal with this aspect. This is found in s. 32 (formerly s. 29) of the *Competition Act*. However, many factors have militated against its use. The main problem with it is that it can only be invoked by the Attorney General. This has rarely been done and there is no reported jurisprudence on the section.[226] Moreover, the complexities of working through the Director of Investigation and Research and in turn the Attorney General of Canada need no elaboration.

Section 61 of the *Competition Act* specifically prohibits holders of intellectual property rights (and others) from engaging in price maintenance. A breach of the provisions of this section can attract criminal sanctions. This provision highlights that the manner in which intellectual property rights are exercised is limited to the rights conferred by the constituent statute. Intellectual property rights do not extend to the exercise of the right in what amounts to otherwise anti-competitive conduct. Licensing and the provisions in a licensing agreement as to the administration of the license must always be considered in respect of anti-competitive prohibitions. The enforcement of an intellectual property right or enjoyment of any interest derived under an intellectual property statute is not in itself anti-competitive. This is explicitly recognized in the *Competition Act*.[227]

However, the recent decision of the Competition Tribunal in the matter of *The NutraSweet Company*[228] is bound to be of significance in relation to the interface of intellectual property rights and competition law. It has direct significance for both patent and trade-mark owners. In this instance, NutraSweet held a U.S. patent on aspartame which was valid due to extending legislation until 1992. In Canada, the patent expired in 1987. Attempts to extend it did not succeed. The Tribunal found that the U.S. patent was being used in Canada together with certain rebate practices, part of which related to the use of the trade-mark "NutraSweet" and the swirl design logo;

> "to exclude competition, and in a most heavy handed fashion...This is a form of dumping in that NutraSweet can, in effect, export its product at a price below that charged in the United States without any risk to its domestic price which is protected by its exclusive patent rights. The Tribunal accepts the Director's submission that the use of a monopoly position (created by the United States patent) to obtain a competitive advantage for a dominant firm in another market is an anti-competitive act".[229]

The Tribunal also found that NutraSweet's branded ingredient strategy which entailed a trade-mark logo display and a promotion allowance to the user if the user used only NutraSweet brand aspartame in its product line was essentially an inducement to exclusivity and an abuse of dominant position.[230]

While it may be that the finding of abuse of the U.S. patent is not critical to the decision and the finding with respect to the trade-mark does not affect the validity of the registration of the mark or the trade-mark as such, the potential effects of this decision should not be underestimated. The course of this case through the courts should be followed closely by intellectual property practitioners and others. It may be limited to a fairly unusual fact situation, i.e. where the supplier enjoys a 95% product market share, a subsisting U.S. patent with an expired Canadian patent, and a product lending itself to a "branded ingredient strategy" whereby customers are , in effect, contractually required to use the supplier's trade-mark and logo on their packages in order to secure exclusivity.[231] However, the decision may extend well beyond such narrow facts and become a significant precedent in Canada for the proposition that intellectual property rights can be abused by a company in a dominant position, and cannot be used to secure exclusive dealing.

There is an extremely well developed doctrine of abuse of intellectual property rights under U.S. antitrust law. In that country, the courts will not protect a patentee against infringement where the patent has been "misused".[232] One of the well established remedies in such situations is compulsory licensing at reasonable royalties.[233] As indicated elsewhere, our Canadian courts have not as yet explicitly endorsed this doctrine. Consideration should be given to the enlargement of the Federal Court's jurisdiction to provide more imaginative remedies in the doctrine of abuse of intellectual property rights.

In the second type of situation, referred to above, abuse can occur if a patentee, with knowledge that the patent is invalid, pursues a patent action nonetheless. Baseless or repetitive claims designed to bar entry into a market may constitute sham litigation. Even a valid patent may be used as part of a plan to effect an overall scheme to monopolize a market. The institution of litigation can be an element of that overall plan. These issues have arisen in the U.S. and there is copious jurisprudence in that country on these and related points. This abuse may entail the deliberate use of the litigation system to effect an anti-competitive purpose. This abuse could occur, for example, if a patentee sues for patent infringement having knowledge of the invalidity of its patent. Under U.S. law, this abuse could amount to a violation of s. 2 of the *Sherman Act*.[234] Moreover, a situation involving baseless or repetitive claims designed to bar meaningful access to an adjudicatory tribunal may entail sham litigation and give rise to s. 2 *Sherman Act* liability in the U.S.A.[235] Even where there is a valid patent, its use in litigation as an integral part of a plan to effect an overall scheme to monopolize, independent of the mere commencement of the action may be illegal.[236] In Canada, we have not gone this far. A patent creates an exclusive right which can be legitimately enforced. It is only when the right is sought to be extended beyond the grant in an abusive way that adverse legal considerations should arise.

The phenomenon of sham or abusive litigation is potentially most dangerous today in patent litigation. It arises less frequently in trade-mark law. There is a potential for it to arise as well in the copyright area, especially as copyright becomes more concerned with the high stakes of high technology.

In fact, the Canadian courts (apart from the *NutraSweet* decision) have only gone so far as to accept the possibility of the applicability of such doctrines in Canada. For example, a recent interlocutory decision of the Federal Court held that "it is at least arguable that an agreement to use a patent which is known to be invalid, for the purpose of suppressing competition, could support an action under s. 31.1 [now s. 36.1] of the *Competition Act*."[237] Earlier Canadian cases have also dealt with this doctrine by way of *obiter dicta*.[238]

However, it cannot be said that Canada is free from the phenomenon of this type of abuse. A remedy should be available whenever such abuse might arise. This is a long standing oversight that should be corrected when a decision is made to "get tough" with competition law in Canada. However, the positive side of the matter is that there have been few, if any, situations in Canada that have cried out for such a doctrine in our law.

These types of cases are a variant of the old doctrine that a "weak patent in strong hands" can cause much damage. Sadly, such a patent is often more effective than a strong one in weak hands.

On the whole, there has not been much in the way of teeth or deterrent value in the *Competition Act*'s provisions dealing with intellectual property abuse. However, the *NutraSweet* decision could effect a change in direction. The civil cause of action [now s. 36.1], although held now to be constitutionally valid[239], is not apparently available with respect to abuse of intellectual property rights, unless the respondent has disobeyed an order of the Tribunal. Perhaps, a civil remedy for abuse should be directly available to plaintiffs without requiring them to convince the Director of Investigation and Research to launch an inquiry and pursue the matter to the Tribunal. A civil right of action does exist under s. 36 of the *Competition Act* with respect to conduct which falls within the criminal provisions of Part VI of the Act. This includes s. 61 which has been earlier mentioned.

It has been suggested that we should strengthen the cause of combines enforcement in Canada by creating an "army of attorneys general" through the vehicle of the reward of treble damages in certain cases. However, the tool of treble damages in private hands can lead to bizarre and very disruptive results that go well beyond even a punitive sanction in certain cases. This is illustrated by the recent litigation involving Penzoil and Texaco in the U.S.A., which resulted in, *inter alia*, the forced sale of the latter's Canadian subsidiary to pay off part of the multi-billion dollar judgment.[240] I recommend a private remedy, but with recovery only of actual damages, with the potential for punitive or exemplary damages and solicitor and client costs when warranted but only when clearly warranted. Together with contingency fees, this should provide enough incentive to encourage proper litigation and to create enough private Attorneys General to help maintain vigilance against anti-competitive behaviour in Canada.

Fortunately, there is little evidence of outright bad faith litigation in Canada. However, the potential exists and we should not be complacent in this respect.

ACCESS TO JUSTICE DENIED? - THE CASE OF THE DISADVANTAGED PLAINTIFF

The other side of the coin, as it were, from the situations described above involving anti-competitive litigation are those in which the plaintiff is left without a remedy because the amount in question does not seem to justify the expense and/or the plaintiff cannot afford large costs, or the law suit is simply too expensive as a risk.

It has not been unknown in Canada for a relatively impecunious holder of a patent right to syndicate that right with a view to acquiring sufficient funds to litigate effectively a pending action. The marketplace will then assess the strength of the patent and the likelihood of success in the infringement action. Naturally, such a transaction must be structured with great care in order to avoid allegations of champerty and maintenance, which entails inappropriate "sponsoring" or "investing" in a lawsuit.[241]

With regard to copyright tariff matters, it may be inappropriate to use the Federal Court as a collection agency for small tariff matters. Provincial courts often do not understand the particular copyright principles involved. Performing rights societies have had a long history in Canada, since 1935 when the *Copyright Act* was amended to permit their existence. It is generally preferable from their viewpoint to litigate in the Federal Court system where the rather complex questions involving tariff procedures and approvals, the case law on performance in public, and other related and specialized matters are known by the judges. For other reasons which will be elaborated below, I believe that routine collection matters launched by collectives should be handled by a newly created Federal small claims court to be part of a new Intellectual Property Tribunal. If the monetary jurisdictions is small, but the issues are large, a mechanism for a stated case to the Federal Court Trial Division could be devised.

Another solution that is sometimes mentioned for this problem in the litigation system is that there be created a provision for statutory minimum damages, particulary in the copyright field. Such a scheme would entail that a plaintiff can elect statutory damages in an amount stated by the statute in lieu of proving actual damages. This seems attractive at first glance.

Actual damages for failure to obtain a performing rights license in a discotheque may be very small. Since the damages may often be as low as the equivalent of the unpaid license fee. This could be as low as $25.00. Statutory damages would permit a recovery of, for example, no less than $100 per infringement. The problem with such as scheme is that it can be abused to a rather drastic extent, for example by simply suing for and combining individual acts of infringement over a certain period of time. The US statute has dealt with this issue in what I believe to be an unsatisfactory way. Some extravagant awards have been made that have given this remedy a bad name. There is no easy solution to the dilemma. A cap on the amount could prove to be a hardship in a case of flagrant and massive piracy. An amount that is too low defeats the purpose. There might even be *Charter of Rights* issues involved in attempting to legislate a minimum amount, as it could be construed to be a penalty of a criminal nature or a forfeiture or fine without due process. However, the idea of a fixed statutory amount should not be dismissed out of hand. It may be that a court could be given discretion within statutory maximum and minimum limits. It is not recommended, however, that such a provision be implemented at this time. Rather, the US experience should be monitored and studied. In any event, with respect to performing rights collectives, the tariff approved by the Copyright Board affords a user with a measure of protection in defining an amount payable for use of works of the performing rights society.

As has been suggested above, the author favours the establishment of a "small claims" court under federal jurisdiction to handle matters of a routine nature, or even a complex nature where the dollar amounts are not great. This body could emulate successful small claims courts in the provinces, wherein the procedures are streamlined, discovery is normally not permitted, motions are all but prohibited, and counsel rarely even appear. Instead, the parties could appear themselves, or with the assistance of students-at-law or para-legals in order to keep costs down, or deal with the matter in writing or by tele-conferencing. Such a court might function as an adjunct to the Federal Court but this would not likely fit well within that institution. A fuller discussion of the proposed Tribunal will be found in Chapter VIII.

CRIMINAL LAW AND INTELLECTUAL PROPERTY

In recent years, there has been a steady trend towards using the criminal law to deal with piracy, counterfeiting, and other commercial scale violations of trade-mark and copyright rights. There is considerable merit in this approach, since much activity involving illicit purveyors of pirated records or counterfeited T-Shirts is akin, in many ways, to theft. Recourse to the criminal law should be limited to those situations where the offender acted in a deliberate manner to defeat the known rights of the property owner.

We have seen the recent *Copyright Act* amendments create an indictable offense punishable by up to a one million dollar fine and a five year jail sentence.

To discuss the history and theory of the criminal law in detail would be beyond the scope of this paper, but I wish to make one comment which may come as a surprise. I believe that the pendulum has swung too far and the criminal law remedy is already being abused. For one thing, the criminal law has no place in institutions where there is no obvious commercial activity. The illegal copying of computer programs by well-intentioned but misguided individuals within an educational environment may be reprehensible and illegal from a civil standpoint. However, it hardly ranks, in my view, with other serious commercial or property crimes that can draw such severe punishment. It is really a civil matter. Some of the recent spates of apparently draconian police actions may stem from over-zealousness in enforcement. On the other hand, perhaps the law is too broad in its purview of what constitutes criminal behaviour. Where the criminal law is too draconian, either in principle or in enforcement, the courts will tend to be reluctant to give it full force and effect in the long term.[242]

On the other hand, the trade-mark counterfeiting sections of the *Criminal Code* are arguably too restrictive and difficult to use in many cases where there is commercial behaviour.[243] The placement of these sections in the *Criminal Code,* rather than the *Trade-marks Act,* results in a different mode of law enforcement by provincial rather than federal authorities. This compounds the problem of lack of uniformity in enforcement methods and philosophy.

We have also recently seen the Supreme Court of Canada show reluctance to extend the criminal law to apply to trade secrets or to confidential information. It hesitated in *R. v. Stewart*[244] to recognize that trade secrets constitute a property right capable of theft. The case appears to turn on the definition of property in the *Criminal Code.*

I believe that all of the criminal offenses relating to intellectual property should be reviewed with a view towards harmonization of approach and procedure and towards making the punishment fit the crime.

CHAPTER VII - CONCLUSIONS/RECOMMENDATIONS

COMPETITION, ACCESS TO THE COURTS, AND CRIMINAL LAW

I. There should be more scope for the Federal Court to fashion imaginative and appropriate remedies for abuse of intellectual property rights in Canada.

II. Exemplary damages and solicitor and client costs are available to compensate for loss of profits occasioned by bad faith litigation and should be used for that purpose within the exercise of the Court's discretion. The Court must be satisfied in such a case that solicitor and client costs would not be an adequate remedy.

III. A private right of action should be established under the *Competition Act* with respect to what is presently found in s. 32. A specific amendment to ss. 78 and 79, also enforceable by private action, should be considered as a sanction against bad faith litigation.

IV. A "small claims" forum should be established under federal jurisdiction with respect to copyright matters, or other intellectual property claims, to facilitate access to justice where the damages are relatively small.

V. Statutory minium damages as a concept are premature at this time.

VI. The criminal remedies, particulary those in the *Copyright Act* and *Trade-marks Act* should be reviewed with a view to achieving harmonization in enforcement and procedure, as well as to ensure that they are neither too harsh nor too permissive.

CHAPTER VIII

A NEW TRIBUNAL

At present, Canada has several "administrative tribunals", in the legal sense of the words (i.e. a body exercising a statutory power of decision), that deal with intellectual property issues. These are:

- Patented Medicine Prices Review Board
- Copyright Board
- Trade-marks Opposition Board
- Patent Appeal Board
- Commissioner of Patents (in several capacities)
- Registrar of Trade-marks
- Registrar of Copyright
- Registrar of Industrial designs
- Registrar of Topographies

PATENTED MEDICINE PRICES REVIEW BOARD

The largest board apparatus by far is the Patented Medicine Prices Review Board (PMPRB), established by the recent *Patent Act* amendments in R.S.C. 1985, c. 33 (3rd Supp.). This body, which consists of up to five members, has a support staff of approximately 35 persons, and has been in existence for almost three years. It has the power and the mandate to monitor cost and price information concerning patented medicines and to reduce the period of exclusivity during which no compulsory license will be permitted. It has yet to conduct any actual hearings. In May, 1990, the PMPRB presented draft rules of a very detailed nature outlining the proposed rules of procedure of the Board. These draft rules indicate that one of the major issues concerning the operation of the PMPRB will be the questions of confidentiality and privilege of certain information and involvement by intervenors in the proceedings.

THE COPYRIGHT BOARD

The recently revised Copyright Board contrasts in many ways with the PMPRB. This body was established by Bill C-60 in 1988 and is the successor to the Copyright Appeal Board, which had existed for decades. This Board continues to operate in much the same manner as its predecessor with respect to performing rights tariffs, since that regime was grandfathered. However, the Board's jurisdiction has now been substantially broadened to include any new field which can be collectively administered. It consists of up to five members. It has no permanent professional research staff.

On October 2, 1990, this Board issued a precedent setting decision respecting Canada's first cable retransmission tariff, following approximately one year of hearings and consideration. The decision awards approximately $50,000,000 annually from the cable companies to copyright holders represented by various collectives. The tariff is applicable as long as one or more distant signals is received.

Although the Copyright Board has assumed a wide mandate from Parliament to determine and implement policy with respect to such matters as the retransmission tariff and other as yet untested new tariffs, it has no permanent professional research staff to assist in the exercise of its functions, always bearing in mind that the decisions of a tribunal must be those of the tribunal itself.[245] It is clear from the first major decision of the Copyright Board on the retransmission matter that the Board was indeed dependent upon data presented by the parties.[246] In contrast with the PMPRB, the history of the Copyright Board and its predecessor shows that concern for confidentiality and privilege is not a major issue.

Appeals from the Copyright Board would ordinarily go to the Federal Court of Appeal. However, in the case of retransmission, an appeal can also be made to Cabinet, presumably in recognition of the political sensitivities of the issues involved. The Canadian Cable Television Association has already appealed to both Cabinet and the Courts with respect to the retransmission decision referred to above, although without success. Given the nature of the legislation creating the retransmission right, the nature of the Board's decision as to structuring of the tariff, and the magnitude of the award involved, there are bound to be questions relating to the role of the Board as a policy making body in contrast to a rate setting body.

PATENT AND TRADE-MARKS BOARDS

It should be noted that the Patent Appeal Board is a nonstatutory body consisting of senior officials who advise the Commissioner of Patents in connection with review from the decisions of examiners in the course of prosecutions of patent applications. It is essentially an informal internal body that advises the Commissioner by way of review rather than formal appeal.[247]

Likewise, the Trade-marks Opposition Board has no statutory footing as such. It consists of officials of the Department of Consumer and Corporate Affairs who report to senior management of that Department. In my opinion the Trade-marks Opposition Board performs an adjudicative function and I would recommend that it be statutorily institutionalized.

In the case of both the Patent Appeal Board and the Trade-marks Opposition Board, it could be argued that there is a structural problem in the sense that there is a lack of apparent independence. The Board members are part of the Departmental hierarchy, yet the nature of their duties might, on occasion, in principle, require them to comment upon the quality of work and the decisions made by others with whom or for whom they must work. This is not to suggest for a moment that there is in fact an actual problem with independence, but there could be a potential problem with perception. This was noted in the 1980 study of both boards by the former Registrar of Trade-marks, Mr. Ross Carson.[248] For this reason alone, Mr. Carson recommended that these boards be made independent tribunals.[249] I believe that his argument is more compelling in the case of the Trade-mark Opposition Board, since this is truly an adjudicative body that holds full-scale hearings that are more classically adversarial in nature, involving outside parties. The work of the Patent Appeal Board at present involves essentially supervision by more senior officials of the Department of the work of the regular examiners, and can thus be viewed as more an exercise in internal review.

There is also a new apparatus established by Bill C-22 consisting of a "re-examination board" the powers of which are set out in ss. 48.1 to 48.5 of the *Patent Act*, R.S.C. 1985, c. P-4, as amended by R.S.C. 1985, c. 33 (3rd Supp.). This Board can consider prior art that may not have been taken into account and can, *inter alia*, cancel any claim determined to be unpatentable and confirm any claim of the patent determined to be patentable. An appeal from this board lies to the Federal Court.

The Trade-marks Opposition Board was established to perform the functions of the Registrar of Trade-marks with respect to opposition proceedings as set forth in the *Trade-marks Act*.[250] It has and continues to have a heavy work load, dealing with about 1400 filed statements of opposition every year, of which about 17% (200 to 250) result in actual hearings and a final decision. This is dealt with by the equivalent of three full time board members, including the Chairperson. It is organized in such a manner that it is very difficult for this Board to attract and keep qualified members. This comment is not at all a criticism of its present members, but rather a testimony to their loyalty and professionalism that they have remained as long as they have.

COMMISSIONER OF PATENTS AND REGISTRAR OF TRADE-MARKS

The Commissioner of Patents and Registrar of Trade-marks is currently the same individual. He sits as a tribunal, in effect, on many important issues and is supported by officials from the Department of Consumer and Corporate Affairs. Many of these officials are employed in other capacities relating to the operation of the offices in which they work. Apart from the more obvious duties under the patent and trade-mark statutes, the Commissioner also has important duties under s. 27 of the *Defence Production Act* with respect to the awarding of fair compensation for a patent used by Her Majesty in respect of national defence. He also has a similar responsibility under s. 19(1) of the *Patent Act* with respect to compensation for government use. Of course, he has responsibility for the decision whether to award various compulsory licenses dealing with food, medicines, and abuse under the *Patent Act* and the amount of compensation.[251] The Commissioner of Patents is also the chief administrative officer of the patent office, which is itself also a major responsibility. Many of the Commissioner's important duties are, perforce, delegated to such bodies as the Trade-marks Opposition Board and the Patent Appeal Board.

This situation leaves the Commissioner with less time than he ideally should have for the more important policy duties of his office. Since many of his duties have been *de facto* delegated for years, the establishment of a new tribunal could serve to rationalize this process and put it on a proper legislative footing, thereby enabling the office of Commissioner to assume its originally intended policy mandate even more fully. It is a testament to the current Commissioner that he has served so ably simultaneously in so many capacities and responsibilities in spite of the existence of an organizational structure that leaves much to be desired.

There is no consistency in the way these boards or tribunals operate or function. Their size and support staff bear little apparent relationship to their work loads and magnitude of responsibilities. While each area clearly has different operational requirements, particularly in respect of confidentiality and privilege concerns, many of the issues that are dealt with have common threads in terms of intellectual property law.

The question of appeals from these various boards is also deserving of attention.[252] The reader is cautioned that, at the time of writing, the current system is in the process of being changed by Bill C-38, an initiative of the Minister of Justice that will reform and improve the Federal Court system. At the present time, this Bill has been passed by both houses of Parliament and awaits proclamation.

Under the current law, applications for judicial review of final decisions or orders of the Copyright Board are heard by the Federal Court of Appeal. However, applications for judicial review of interim rulings of the Copyright Board are heard by the Federal Court Trial Division. This distinction arises by operation of the *Federal Court Act*, in particular sections 18 and 28 thereof. These appeal procedures and routes are not specified as such in the *Copyright Act*. Likewise, the *Patent Act* is silent as to appeals from the Patented Medicine Prices Review Board.

Under the current law, the Federal Court of Appeal has jurisdiction over appeals in most patent matters, particularly appeals from decisions of the Commissioner in respect of a refusal to grant a patent, and with respect of compulsory license decisions. On the other hand, the Federal Court Trial Division has jurisdiction in relation to applications to rectify the Register of Patents. Under s. 30 of the *Federal Court Act*, matters in the nature of an appeal generally are to be dealt with by the Federal Court of Appeal, whereas more administrative matters are to be dealt with by the Federal Court Trial Division.

It is noteworthy that s. 30 of the *Federal Court Act* as it now stands authorizes the assignment of appeals to the Federal Court Trial Division where prescribed by the Rules. Thus, s. 59 of the *Trade-marks Act* (which incorporates s. 56), together with Rule 704 of the Federal Court Rules results in appeals from the Trade-marks Opposition Board being heard by the Trial Division rather than the Court of Appeal.

Does it make sense to take the time of the Federal Court of Appeal for an appeal from the Commissioner on a routine compulsory license application, or the refusal to grant a patent? Is the refusal to grant a patent of such a different or indeed any different order of magnitude in importance that this matter can be appealed directly to the Federal Court of Appeal, while a decision of the Trade-marks Opposition Board is appealed to the Federal Court Trial Division. Curiously, the refusal to register an industrial design can actually be appealed to Cabinet.[253] The Federal Court has power to expunge or correct an error on the register for industrial designs.[254] Appeals with respect to registration of copyright have not proven to be important as a practical matter, since registration is virtually automatic and not necessary, in any case, for the vesting of rights.

Part of the reason for the patch work quilt of appeal procedures stems from ss. 26 and 30 of the *Federal Court Act*, which when read together result in many matters going to the Court of Appeal which, arguably, could be adequately dealt with by a judge of the Trial Division.

I believe that the time has come to rationalize, consolidate, and harmonize to the extent possible the operation of these multitudinous tribunals. At the same time, the appeal mechanisms could be dealt with so as to ensure logic, consistency, and expediency.

Bill C-38 provides a conceptual and practical step in the right direction. This is a major step in the reform of the overall litigation system that, among other matters, deals with the Federal Court's role in supervising federal tribunals. This Bill recognizes the importance of expertise in such specialized areas as maritime law, which as noted elsewhere in this report, has historically been important in such matters as the role of assessors. The Bill clarifies the foundation for judicial review under ss. 18 and 28 of the *Federal Court Act*, and makes a fundamental change in the sense that the normal route of appeal will be to the Federal Court Trial Division rather than the Federal Court of Appeal as was previously the case.

However, when the details of the revised ss. 18, 24, 28, and 30 are analyzed, it will be seen that the practical result of the present structure remains essentially unchanged in respect of intellectual property matters, except as to judicial review where jurisdiction is transferred in some cases from the Federal Court of Appeal to the Federal Court Trial Division.

Section 24 the *Federal Court Act* as amended by s. 6 of Bill C-38 will have the effect of giving jurisdiction to the Federal Court Trial Division in respect of the matters which are now within the jurisdiction of that Court.

At the present time, and as proposed under the revised s. 28, judicial review of final decisions of the Copyright Board will be taken to the Federal Court of Appeal. Moreover, Bill C-38 will ensure that judicial review in respect of all decisions and rulings, regardless of whether they are interim or final, of the Copyright Board will be taken to the Federal Court of Appeal, since the Copyright Board is listed in the revised s. 28. This marks a change from the present system. Judicial review as to other intellectual property tribunals will be to the Federal Court Trial Division.

It is understood that the rationale for making an exception in the case of the Copyright Board is that it is appropriate to have an appeal or judicial review taken to the Federal Court of Appeal when the tribunal appealed from is comprised of or includes judicial members.

Federal Court Rule 704, which previously earmarked appeals from the Trade-marks Opposition Board via the Registrar of Trade-marks to the Federal Court Trial Division will no longer be operative as such but appeals on substance will normally go to the Federal Court Trial Division, unless specified otherwise by s. 30 of the revised *Federal Court Act* or by specific enactment. Accordingly, substantive appeals from the Trade-marks Opposition Board will still go to the Federal Court Trial Division. The new regime with respect to judicial review (as contrasted with substantive appeals) will be that the Federal Court Trial Division will generally have supervisory jurisdiction in this respect, except where the tribunal being appealed from is composed of superior court judges or ranks as a "court of record".

It is beyond the scope of this report to chronicle the exact impact of Bill C-38 on every provision of the intellectual property system. However, I would note that it represents a significant overall improvement in the philosophy and structure of the federal court system and must be carefully scrutinized for impact on particular matters affecting intellectual property.

In my opinion, the positive direction of Bill C-38 can be further achieved and specifically extended by the establishment of a new tribunal to deal with many aspects of intellectual property. A tribunal of such a nature should be structured to provide a common support staff of professional and administrative personnel as well as a dedicated and independent and highly qualified roster of board members and judicial appointees. Such a body might be known as the "Intellectual Property Tribunal" (IPT). A proposed schematic organization chart is set forth at the end of this chapter.

This tribunal would consist of a mix of judicial appointments, members of the bar, and lay experts on a full-time basis. Such a structure would ensure competency and "independence", in the administrative law and constitutional sense of the word.

Although it may be beyond my mandate to presume to make any suggestions about staffing such a new tribunal, it would seem sensible to carry forward wherever appropriate the expertise and experience of those currently serving on existing intellectual property tribunals.

Another major advantage of such a creation would be that it would be much easier to attract qualified and competent members, assuming that salaries and working conditions were suitable. The broader range of responsibilities could appeal to many members of the practising intellectual property bar or lawyers in the public service. Moreover, well qualified scientists, engineers, economists, or other professionals might be interested as well in serving on a tribunal with a broader mandate. The Australian Government has recently established an Administrative Appeals Tribunal with some jurisdiction in patent matters that appears to embrace the "manifest need for a more balanced mixture of legal and other talents at all levels of adjudication".[255]

Such an Intellectual Property Tribunal could also deal with "small claims" matters particulary under copyright law where they frequently arise. This has been suggested earlier in this report in Chapters II and VII. In principle, the small claims jurisdiction could also extend to patent, trade-mark, and other areas, although such smaller claims are less likely to arise in these fields. Given the increased usage of the *Trade-marks Act* as a civil remedy against counterfeiters of various merchandise, it is possible that a small claims jurisdiction might be warranted as well for trade-mark infringement.

I believe that the Small Claims Division should deal with claims based upon the *Copyright Act* and the *Trade-marks Act* where the damages sought do not exceed a specified amount. My suggestion would be $10,000, with a provision that the Governor in Council may change this amount from time to time. There are numerous potential copyright claims under $10,000 that must currently be abandoned because the cost of litigation is too high in the superior courts. Likewise, there are probably many potential trade-mark claims involving small quantities of counterfeit or pirated goods that could also be handled more expeditiously in a small claims framework. Moreover, the copyright collectives will benefit, as will ultimately the defendants themselves, by having smaller matters dealt with in an expeditious and expert fashion.

I have also considered some extensions of the proposed jurisdiction of the IPT in respect of copyright claims, and I put them forward for consideration. However, I stop short of recommending them at this time without considerable further reaction from those likely to be involved.

One such extension would entail allowing the jurisdiction of the IPT in respect of copyright and trade-mark claims to be extended upon consent to an amount over $10,000. Such a case might arise, where, for example, a collective was seeking to enforce a tariff approved by the Copyright Board, and the only issue involved is one of quantum, not of principle. For example, how many eligible copies were actually made during the accounting period, or what was the actual revenue base of the broadcaster? There would be some merit in encouraging consideration of such questions by an expert tribunal. From the litigants standpoint, it would reduce costs for all parties.

Another possible extension of jurisdiction for the IPT would be to empower it to deal with any claim, regardless of financial amount, based upon a tariff previously and duly approved by the IPT itself. There is little doubt that such an extension of jurisdiction would be constitutionally sound.[256] Such jurisdiction could be exclusive, or concurrent with that of the Federal Court and the courts of the provinces. However, one would need to consider from a policy standpoint to what extent it would be wise to have the same body that establishes the tariff itself act as the enforcer, in effect. I do not believe that this would be problematic from a legal standpoint. I do believe, however, that these extensions of jurisdiction merit serious consideration should a decision be made to go forward with the proposed IPT.

The IPT would consist of three divisions consisting of Judicial, Administrative, and Small Claims. Overall direction would be in the hands of the Chairperson of the IPT, who should be a judicial appointment and should serve full-time, for a particular term of years. Scheduling, assignment of members, and other more operational matters might well be in the hands of a Vice-Chairperson who need not be a judicial appointment.

The Judicial Division would, as its name suggests, consist of Superior Court judges who would hear appeals from decisions of the Commissioner of Patents and Registrar of Trade-marks, as well as matters relating to expungement of trade-mark registrations or invalidity of patents. This would ensure that matters traditionally dealt with by Superior Court judges continue to be so dealt with. It is suggested that the IPT Judicial panel be given jurisdiction to deal with expungement and invalidity declarations where no other relief is claimed in order to provide a mechanism to industrialists and traders who may wish to take a relatively summary proceeding to eliminate an intellectual property right that is standing in the way of a proposed activity and which they consider to be invalid.[257]

The Administrative Division should consist of panels of both judges and non-judges. In some instances, such as trade-mark oppositions, the panel might consist of only one person. In other cases, such as complex copyright tariff matters, it could consist of three persons, or even more. It would subsume the current mandates of the Copyright Board, the PMPRB, and Trade-marks Opposition Board, as well as matters relating to certain compulsory licenses where an actual adjudication rather than technical processing is indicated.

There are certain key differences between the existing Patent Appeal Board, the Patent Reexamination Board, and the Trade-marks Opposition Board. The latter has steady and predictable workload of over 1,000 cases a year, with at least 200 requiring actual hearings. The former two boards have a sporadic workload that does not require full-time attention. Moreover, the patent boards are really concerned with internal supervisory review rather than adjudication on the merits with an adversarial hearing as such. The Trade-marks Opposition Board holds full scale hearings involving outside parties, not the Registrar who has already made the decision to allow the proposed trade-mark to reach the opposition stage. For these reasons, and others stated above, I think that the Trade-mark Opposition Board should be part of the new IPT, whereas the two patent boards can remain in the Patent Office.

The placement of the trade-marks opposition function within the new IPT would also serve to solve another current problem. Under the present law and practice, an appeal from this Board is heard by the Federal Court Trial Division. The legislation as it now stands permits new evidence to be adduced on appeal. It is counterproductive to have the Trade-marks Opposition Board engage in a proceeding with what is tantamount to pleadings and a full hearing on evidence, and then have the matter decided on appeal on the basis of newly admitted evidence in the appeal. Under the proposed system, all the evidence would be heard at one time only once, by the IPT, and there would be an appeal to the Federal Court of Appeal only on questions of law. The appeal would thus be in the nature of a true appeal.

The Small Claims Division could consist of members of the bar who are not judges, and would function much the same way as Small Claims Courts in the provinces. In other words, there would be no discoveries, relaxed rules as to evidence, and no requirement that lawyers appear. In the ordinary course, costs would not be available, although the IPT would have a discretion to grant costs in the exceptional case. If the matter involves an important technical or legal issue, the Chairperson could refer it to a judicial member of the IPT. Decisions could be made on the basis of written submissions, if neither party requests an oral hearing.

The Research and Support Directorate for the IPT should consist of a mix of legal, economic and statistical professional staff, along with administrative personnel. Professional staff of this directorate might occasionally function as "assessors" before the Tribunal, as described earlier in this report in Chapter IV. Otherwise, their function could be that of law clerks or a secretariat to the Tribunal members, and could additionally assume any policy oriented functions of the IPT.

I am conscious of the divergent philosophies in relation to the establishment of a professional support and research staff available to tribunals of the nature under discussion. On the one extreme is a large bureaucracy with a very extensive administrative and research staff. An example is the Canadian Radio-Television and Telecommunications Commission. (CRTC). On the other extreme is the Copyright Board, which apart form a General Counsel and a small administrative staff has no support infrastructure. My recommendation is intended to create a middle ground. The support infrastructure would be available for all functions of the IPT.

This recognizes the potential economic and policy significance of the mandate of the IPT's proposed functions. I repeat, however, that it must always be the panel of the Tribunal that makes the decisions in a given case. Matters that come to the attention of the Tribunal other than from any of the parties must be put squarely before all of the parties so that there is a full opportunity to answer.[258]

In order to ensure that the IPT serves its purpose of reducing unnecessary litigation and encouraging efficiency, I would advise that appeals from decisions of the IPT be limited as to questions of law, and be subject to leave from a judge of the Federal Court of Appeal. The appeals should be to the Federal Court of Appeal, since the IPT will have Superior Court Judges within its roster.

The Tribunal itself would be the appellate body for virtually all matters now decided by the Commissioner of Patents, or Registrar of Trade-marks, or the Minister under the current laws.

Clearly, any matter relating to the issuance of a subpoena, contempt, or other traditionally "judicial" functions empowered to the IPT should be dealt with by its judicial members.

The IPT should avail itself of and be given modern video-conferencing facilities. The Supreme Court of Canada has employed such technology for applications for leave to appeal for several years. It saves much time and money, and eliminates unnecessary travel by clients and counsel. It could be integrated with existing Federal Court facilities across the country, thereby providing reasonable access to all Canadians. Alternatively, some members of the IPT could go "on circuit" for certain purposes, such as the small claims jurisdiction, utilizing the facilities of the Federal Court throughout the country.

I fully recognize that the various mandates proposed for consolidation in a new IPT now function in very different manners, and have very different exigencies. However, there is no reason why these differences cannot be accommodated, to the appropriate extent, in the new IPT. This could be done by having differing rules for different procedures, and by effective allocation of personnel.

A new tribunal could also comprise the sufficient critical mass to develop significant expertise amongst both its members and staff, while encouraging cross-fertilization between various aspects of intellectual property that share common legal and economic principles. This aspect seems to be totally lacking in the current system.

Another advantage of a new tribunal would be that of flexibility. For example, a new system such as that effected by Bill C-22 with respect to drug patents could be more readily devised and implemented. Or, present systems could be more readily changed if circumstances so indicate. By way of further example, using the drug patent situation, a move towards full patent term protection subject to fully adjudicated compulsory license applications could easily be accommodated by the new tribunal.

In addition to the many other advantages of a new IPT stated above, there would be the further added consideration of greater soundness from the standpoint of constitutional and administrative law. I have already alluded to potential problems with independence of the present Trade-marks Opposition Board and Patent Appeal Board. Such potential problems could be obviated by the creation a fully independent IPT, properly structured and staffed with truly independent and qualified members. All steps should be taken to ensure that the lay members are independent in the constitutional and administrative law sense of the word.[259]

There is a solid constitutional basis of support for the Federal jurisdiction to create such a tribunal. Section 101 of the *Constitution Act, 1982*, gives Parliament the power to create federal courts "notwithstanding anything in this Act". Parliament therefore can, if it chooses confer appointing power on some body other than the Governor General (despite s. 96), it could authorize the appointment of judges who were not members of the bar (despite ss. 97 and 98), and it could leave the judges' salaries to be determined administratively (despite s. 100).[260] Furthermore, the suggested measure to ensure the independence of the IPT's membership should counter any possible outcome of current litigation directed at the independence of certain other federal tribunals.[261]

Finally, these recommendations are believed to be consistent with current and evolving governmental thinking on regulatory agencies. This thinking led, for example, to the integration of the Tariff Board, the Canadian Import Tribunal, and the Clothing Board into a new Canadian International Trade Tribunal.[262]

Thus, to summarize, a new Intellectual Property Tribunal would have the following advantages:

1. Rationalization and consolidation of existing mechanisms.
2. Greater scope for the Commissioner of Patents to exercise significant policy functions.
3. Critical mass of expertise and experience.
4. Greater expertise of membership and staff.
5. Common administrative and professional support.
6. Shared physical resources.
7. Harmonization of procedures where appropriate.
8. Harmonization of appeal mechanisms where appropriate.
9. Coordination of resources.
10. Balancing and coordination of workloads.
11. Perceived as well as actual independence.
12. Flexibility for future new mechanisms.

FEDERAL COURT OF APPEAL

Appeals from IPT only on questions of law and subject to leave in certain cases as specified, i.e. Small Claims.

INTELLECTUAL PROPERTY TRIBUNAL (IPT)

JUDICIAL	ADMINISTRATIVE	SMALL CLAIMS
* Expungement and Invalidity declarations where no other relief claimed. * Appeals from Commissioner of Patents and Registrar of other Acts.	* Copyright Tariffs * Patented Medicine * Compulsory Licenses * Trade-marks Oppositions	* Copyright and Trade-mark claims under 10,000.

RESEARCH AND SUPPORT DIRECTORATE

Professional, Administrative, and Clerical Support for Intellectual Property Tribunal

1. IPT to consist of Superior Court Judges, full-time members of the bar, and full-time lay experts.
2. Judicial Panel would consist of Judge alone.
3. Administrative Panel would consist of Judge plus legal member plus lay member, except for trade-mark oppositions, which would consist of legal member(s).
4. Small Claims Panel to consist of legal member.

CHAPTER VIII - CONCLUSIONS/RECOMMENDATIONS

A NEW TRIBUNAL

I. The government should establish a new Intellectual Property Tribunal (IPT) to consolidate existing administrative law functions relating to intellectual property.

II. The IPT should be given the additional functions of small claims jurisdiction and appellate responsibility for decisions from the Commissioner of Patents and Registrar of Trade-marks.

III. There should be a federally appointed tribunal empowered to deal with smaller (i.e. less than $10,000) copyright and trade-mark claims in a prompt, informal, expeditious manner with limitations on use of expert testimony and limitations on costs recoverable for both plaintiff and defendant. This could be part of the Federal Intellectual Property Tribunal.

IV. The Tribunal should be empowered to state a case on any important point of law to the Federal Court Trial Division.

V. A judge of the court having appellate jurisdiction over matters involving a regulatory tribunal dealing with intellectual property ought not be a member of the tribunal.

VI. The IPT should consists of judges, experienced intellectual property lawyers, and lay experts.

VII. Wherever appropriate, the expertise and experience of those currently serving on intellectual property tribunals should be carried forward.

VIII. The IPT should be so constituted and organized as to ensure adequate independence for its members and to attract highly qualified members.

IX. The IPT should be given a fully staffed and well qualified Research and Support Directorate to assist its work.

X. The IPT should utilize video and tele-conferencing facilities wherever possible, and in particular for small claims, trade-mark oppositions, and other matters where such a facility would be productive. Travelling by members "on circuit" could be an alternative.

XI. Appeals from the IPT to the Federal Court of Appeal should be limited to questions of law and be subject to a requirement for leave in certain cases.

CHAPTER IX

"BRIGHT LINES" AND LEGISLATIVE RENEWAL

There are categories of situations that must be considered by government with respect to policy development and the potential need for legislation. In the absence of government initiative, important policy issues will inevitably result in complex and expensive litigation and an uncertain outcome as the judiciary is called upon to intervene.

1. Government Policy Initiatives: Recent examples have included pharmaceutical patents, patent law revision, and adherence to the Patent Cooperation Treaty, retransmission rights, integrated circuits, and plant breeders' rights.

2. Obsolete Legislation: Examples include the *Industrial Design Act*, the registered user provisions of the *Trade-marks Act*, and major features of the *Copyright Act*.

3. Defective Legislation: Examples are many and include s. 9 of the *Trade-marks Act* (official marks) and the incomplete amendments to the *Copyright Act* respecting retransmission.

4. Premature Policy Areas: This is the most elusive to define. Examples might include that of trade secrecy, where there is no obvious legislative solution, but the courts are busy in the meantime, as well as the protection of higher life forms.

5. Issues Not Requiring Legislation: This category entails issues or matters that have been and continue to be best dealt with by the common law. Examples include the law of passing off, and many aspects of remedies such as injunctions.

Some of these issues have been referred to earlier in this report. Others will be referred to below. I trust that any repetition will be construed as emphasis because I strongly feel that this is a most important message of this report. **GOOD LEGISLATION REDUCES LITIGATION. LIKEWISE, BAD LEGISLATION BREEDS LITIGATION.**

Let us look in turn at each of these categories in further detail.

GOVERNMENT POLICY INITIATIVES

The first concerns government policy initiatives. These are instances where the government has acted in a deliberate, methodical, and forward thinking manner to improve legislation or to achieve a particular economic or political objective. This is in contrast with the other categories of obsolete or defective legislation because there is no sense of crisis or breakdown of the system, or market failure in an economic sense. Put in its best light, this is simply "good government", which entails the government performing its function of ensuring that infrastructural laws are put in place, kept up-to-date and serve well into the foreseeable future.

One such area in which Parliament acted decisively, if not quickly, was the issue of the first to file system versus the first to invent system in patent law. The recent changes in Bill

C-22[263] will result in priority being given to the first to file a patent application, rather than the person who claims to be the first to invent. The resulting term of protection will be 20 years from date of filing, rather than 17 years from the date of grant as was previously the case. Fruitless litigation and delayed issuance of patents arising from conflicts over who was first to invent will be eliminated. Patents will issue faster and there will be more certainty at an earlier date in the market place.

The importance of this step can readily be appreciated in light of the recent examples of high technology patents that have issued in other jurisdictions decades late and where massive uncertainty has been or will be in effect. These include the recent but very late semiconductor chip patent in Japan, the Gould patents in the U.S. relating to laser technology, and possibly most significant of all, the belated issuance of a patent in respect of the microprocessor to Hyatt in the U.S.A. in 1990, some twenty years after the invention. Clearly, it is highly problematic to issue a patent valid for 17 years in a field where events and innovations have long since outstripped the claim (however meritorious it was at the time) and the field was assumed to be patent free. Late issuance of a patent can be industrially disruptive. The United States still uses the first to invent system, which can result in very long delays.

Another example of a deliberate policy initiative is that of Canada's recent changes to the law relating to drug (pharmaceutical) patents. Legislative change followed quickly upon a change of policy in Parliament. The sensitivity of this issue revolves around the fact that patents for drugs involve human health, research and development jobs and investment, and billions of dollars in the Canadian economy alone. It is difficult to imagine a single issue in which more public policy considerations could coincide at once. The basic rule of patent law and policy has always been that patents are given as an incentive to create and an incentive to manufacture in Canada, subject only to extraordinary considerations and exceptions.

Canada created such an exception in 1968 with its compulsory licensing regime with respect to pharmaceuticals. This compulsory license regime was intended to stimulate competition in the drug market in the public interest by allowing for the importation of medicines into Canada. From a patent point of view, it created a very marked departure from fundamental patent principles. From an international standpoint, it was seen as tantamount to an expropriation of rights since the royalty rate became quickly established as an automatic four percent of the selling price of the drug. Patent owners considered that this four percent royalty figure did not bear any real relation to the costs inherent in research and in proving and formulating basic chemicals into a marketable and approved pharmaceutical product.

For reasons that have been copiously dealt with elsewhere, this regime was changed in 1987 to a complex system wherein varying degrees of exclusivity are granted to drug patents in consideration for certain requirements for research and development and price related considerations. While it is perhaps too early to assess the new regime, it seems clear that no one is very happy with it. One may expect further litigation and perhaps further legislative change. One obvious alternative would be the restoration of full patent protection subject, however, to compulsory licensing only in extraordinary circumstance so as to prevent monopoly abuse and at a rate to be determined upon a full and fair hearing, taking into account all relevant matters, including international pricing and patent terms. Such a regime might be possible if we were to have a properly constituted tribunal capable of dealing with such a complex and important issue on an ongoing basis. There is no such mechanism at present. This could be a role for the proposed Intellectual Property Tribunal discussed in Chapter VIII, and it could subsume many aspects and resources of the current Patented Medicine Prices Review Board, while giving it additional strength and capability.

Because patentees who were basically non-Canadian and compulsory licensees who were basically Canadian held and continue to hold diametrically opposite views on the policy behind the 1988 legislation in Bill C-22, a plethora of law suits developed. A perceived unfairness by each of the respective sides leads to a recourse to the courts. The fact that all opposing interest groups are equally opposed to the legislation does not thereby make it good legislation. It does not, moreover, preclude the parties from continuing recourse to the courts. The courts, in this instance, have shown no great sympathy to the non-Canadians with respect to the 1968 legislation or to the generic companies with respect to the current law. It is rather ironic that the constitutional and other arguments advanced against the 1968 legislation are now being used against the 1988 legislation with equal lack of success.[264]

The clear implication of the legislation with respect to pharmaceuticals is that the government is prepared to be decisive and to act, for better or worse, when the issue is of extraordinary economic importance and political profile. Indeed, the attention paid to this issue has doubtless been at the expense of other issues deserving of attention in the field of intellectual property. It is regrettable that other important intellectual property issues have not enjoyed the same priority on the government's agenda.

Another policy issue that had attracted the government's attention and resulted in legislation is the retransmission issue in copyright law. Although it had been studied for years, action did not come quickly until pressure arose from the United States government. It is reported that the issue occupied the attention of the leaders of both governments at the so-called "Shamrock Summit" which led to the historic Free Trade Agreement between Canada and the U.S.A. As a result of the free trade implementation legislation, amendments were made to the *Copyright Act* that established this new right. As stated earlier, there have been major hearings lasting the better part of a year before the new Copyright Board to deal with this matter. A precedent setting decision was delivered on October 2, 1990 requiring cable companies to pay a substantial amount of money to copyright owners as represented by various collectives.

However, the road to legislation in respect of the retransmission right had actually begun some 34 years earlier in the courts with the *Canadian Admiral* case.[265] There was frequent criticism of this decision and its antiquated reliance on the concept of "Hertzian waves". Moreover, cable television spread rapidly throughout the world. The revision of the Berne Convention in 1971 dealt with this issue. Nonetheless, it was not until the Shamrock Summit and the politicization of the issue that it was finally dealt with. Canada was thus quite slow to deal with this issue. The matter was thus left to the courts, and the courts proved reluctant to innovate.

Ironically, the retransmission matter is still before the courts, since the recent implementing legislation is being interpreted in such a way that the musical performing rights society is unable to collect royalties from a major television network.[266] Thus, this issue has the potential for rapidly becoming an example of the category of "defective" legislation.

The recent integrated circuit legislation,[267] is another example of a deliberate government initiative. It is unique in that, by its nature, it is a new piece of legislation that is almost entirely devoid of controversy. This may be because it directly affects very few parties, although it should be noted that indirectly it affects almost everyone. This is an example where the government responded very quickly to an issue.

From the very beginning in 1985, the government engaged in a decisive and planned response with full and proactive consultation with all interested parties. Expedition was possible because the legislation was very specific and limited in its effect. This specificity may, however, render it obsolete at an early date. Moreover, transnational economic forces and trading relationships have already evolved far beyond any legislative model or treaty now in existence on this issue.[268] Finally, as fast as Canada was in considering this issue, Canada was one of the slowest of the developed countries to enact legislation. Ultimately, the legislation succeeded because it was appealing. It related to high technology. It was non-controversial. It was safe in the event of unforseen impact or drafting problems. However, there is a risk in this area that technology and trade patterns will outstrip legislation. The legislation is passed but not yet proclaimed; it must be closely monitored to ensure that it reflects changing times.

OBSOLETE LEGISLATION

Turning now to obsolete legislation, the first and foremost example is that of the *Industrial Design Act*, which as noted elsewhere in this paper, has been desperately in need of revision for over 60 years. There is no apparent reason for this delay in governmental action. While it is true that the area of industrial design is perhaps the least harmonized of the international categories of protection of intellectual property and other countries are even more outmoded than Canada (e.g. the U.S.A.), this is but little excuse given the practically useless legislation that now exists in this country. This is especially the case since Canada prides itself on being devoted to rewarding its creators in the arts and in industry. Studies and good intentions come and go, but the legislation remains. It is an embarrassment to the government, especially when the profession has been vigilant and constant in pointing out many easily curable faults.[269]

In the copyright field, examples are fewer than might be expected at first glance. The present provisions relating to photography are drafted in a manner dependent upon the concept of the "negative", which is long since obsolete following the invention of instant photography and electronic photography.

The definition of music is clearly obsolete, based upon an era when the printing of "sheet music" was the most important form of distribution. However, the definition of music as it presently stands is obsolete not so much for technological reasons but because the courts have so construed it as to find that television networks are not broadcasting a musical work nor performing it in public when transmitting it over a network by microwave to the local stations.[270]

Reprography still represents a problem in terms of enforcement. However, the new era of collective regimes may present a solution, although there are many uncertainties ahead in the way they will operate. A new tribunal with adequate resources for research may more readily come to grips with the implications of the vexing and important issue of reprography.

In many other respects, however, the *Copyright Act* is surprisingly up-to-date, considering its ancient lineage. With the exception of the 1988 amendments, it is virtually the same as the 1911 U.K. enactment. Significantly, the 1988 amendments stemming from Bills C-60 and C-2 did deal with obsolescence on two major fronts, namely computer programs and retransmission. However, as discussed earlier, the retransmission provisions are flawed and incomplete. Moreover, the drafting treatment of "communication by telecommunication" and the related concepts may render certain activities such as the use of fax machines or computer data banks liable for copyright infringement when this may not have been the legislative intention.

The ephemeral rights issue has cried out for legislation for years. The issue concerns the practice of broadcasters of taping virtually all programs, except the news, in advance for technical and time delay reasons, as well as scheduling flexibility. To do this, they must make a recording.

Not surprisingly, the Supreme Court of Canada recently pronounced in *Bishop v. Télémetropole*[271] that this practice constituted unauthorized reproduction. It is unclear what the main parties will do about this decision. It does seem clear that legislation will be needed to address the issue. Other countries have addressed it. Legislation in such countries attempts to create a balance between the broadcasters need to record in advance for its technical and scheduling purposes and the rights and expectations of copyright owners by limiting the time during which a broadcaster may retain the recording. The Berne Convention was revised in 1948 to deal with this problem. It is not a new issue. However, it seems that it has taken litigation up to and including the Supreme Court of Canada to bring it to the attention of the government and it is still not clear that anything will be done about it in the immediate future.

With respect to computer programs, the changes brought about by Bill C-60 in 1988 were similar to those in other countries a few years earlier, most notably the United States in 1980. However, since the passage of Bill C-60, certain problems have arisen in the area of computer program protection that were only academic speculation a short time earlier.[272] This problem aspect concerns the "look and feel" issue, which has become a notorious catch phrase for the question of the scope and nature of copyright protection for computer programs. In the early 1980s, copyright was seen as a convenient and suitable means to protect computer programs, which were compared in a somewhat anthropomorphic way to literary works. It had been widely thought that the protection conveyed by copyright covered only the source and object codes of the program, and that anyone was free to create a program that did the same thing as another as long as the source and object codes were original in the sense of not being copied. The U.S. courts have, thus far, gone well beyond that principle and are protecting programs against other programs that merely "look and feel" similar, notwithstanding the use of completely different source and object codes. The protection so conferred arguably borders on patent-like protection, without the safeguard of examination and with a vastly longer term (life plus fifty years). In my opinion, the courts, in the U.S.A. at least, may be confusing the basic concepts of patent and copyright law.[273]

True, it may be very difficult to devise a precise legislative "bright line" to delineate and circumscribe the property scope of protection for an area such as computer programs. But this simply begs the question. Courts may not be the best forum to determine such a fundamental question.

Why are courts a poor forum for resolving large policy issues arising from obsolete or vague legislation? I have made copious references throughout this report to the fact that courts lack technical expertise and it takes many years to resolve very narrow issues throughout this process. For example, with respect to the "look and feel" issue, the U.S.A. courts have been struggling with the problem since *Whelan v. Jaslow*[274] was tried and decided in 1984-1985. The U.S. Supreme Court has yet to deal with the issue, despite several conflicting and confusing lower court decisions. In fact, the major trial level decisions on the "look and feel" issue are yet to come, in a major lawsuit commenced by Apple against Microsoft. Xerox has in turn sued Apple. The recent *Lotus* decision in July, 1990 will also be important. However, appeals of these cases could take years, and be resolved on very narrow issues. In the result, much more litigation will ensue in the meantime. At stake are basic questions of innovation and competition in the computer hardware and software industries. The issue certainly merits serious and immediate attention by governments in order to ascertain whether or not a legislative solution can be found. Governments should be ready for legislative intervention if the situation should get clearly out of hand.

The field of computer programming is moving in such a rapid manner that it is, perhaps, premature to make a specific recommendation for the formulation of either a *sui generis* regime, or an amendment to any of the intellectual property statutes. Despite the delay and uncertainty, it may be the preferred course for the present to allow the matter to continue to develop on its own through the courts. However, it is of such importance that government must continue to monitor very actively developments in this area. Depending on future events, an immediate decision and legislative response could be required and we should be ready for it.

The copyright area also illustrates that a rapid and decisive response by Parliament to a problematic statutory issue can diffuse potential controversy. For instance, the handling of the functional object issue in Bill C-60 (as ultimately reflected in ss. 64 and 64.1 of the *Copyright Act*) was briefly controversial. It also involved a certain amount of retroactivity in order to be effective.[275] However, the government decided that "tail pipes" and the like should not be protected by copyright in Canada, and saw that unless it moved very quickly, such a development was not only possible but likely.[276]

It is interesting to make a comparison with the situation in England. The phenomenon of copyright protection for functional objects evolved slowly since 1949 with a long series of judicial decisions and legislative amendments in 1956. The House of Lords confirmed in 1986[277] that "tail pipes" were protected by copyright. However, the copyright was subject to a limitation. The Court propounded a novel doctrine that the copyright was subject to the implied right of the public to repair their automobiles with spare parts. Because of this implied right, the copyright was found to be unenforceable on public policy grounds. In view of the many rights and interests that had become vested in the meantime, the U.K. government found it difficult to enact a regime of no protection for functional objects in its sweeping 1988 amendments. The result of the 1988 amendments, in respect of functional object protection, is, it is suggested, the creation of a strange and controversial formulation of rights. The design of such things as a "tail pipe" can be protected by virtue of an "unregistered design right." The right endures for ten years. However, it is subject to an application for compulsory licensing as of right after five years.

This development in the U.K. illustrates that when Parliament fails to act, it becomes difficult, if not impossible, to remove rights that have become vested in the meantime, no matter how ill-founded they may be from a public policy standpoint.

Trade-marks Law

The main aspect of the *Trade-marks Act* that is arguably obsolete is its registered user scheme. This has been discussed elsewhere in this report in connection with other issues.[278] However, I mention it again in this context because it is important to emphasize the point that the government should address, in a timely manner, an issue that is technically and administratively important and politically non-controversial. The advent of franchising and the evolution of other business and licensing patterns has not lessened the need to ensure that the source theory of trade-mark law is preserved and respected. The source theory was recently applied by Madame Justice Reed in the case of *Charles Heintzman v. 751056 Ontario Limited* (1991), 34 C.P.R. (3d) 1 (F.C.T.D.) where she invalidated a registration for the trade-mark HEINTZMAN on the ground that it had lost its distinctiveness when the mark was used in connection with pianos obtained from sources other than that which the public associates with the mark.

However, virtually everyone agrees that a system requiring the proforma filing of thousands of meaningless documents does little, if anything, to ensure these goals. Much useful work has been done in this area.[279] It would be regrettable if it does not come to fruition in the near future.

Industrial Design

I have already indicated that the *Industrial Design Act* is obsolete and has been that way for over 60 years. If Canada has any intention of serving its design community properly, this Act must be updated. Mr. William Hayhurst, in his recent report for the government, essentially reaches the conclusion that the basis of industrial design law in Canada is philosophically sound in its conception but that the statute is so defective as to be virtually unworkable. An example of the obsolete and defective nature of the *Industrial Design Act* is that an assignee of the design cannot effect registration. This important result has been known at least since 1949.[280] It has been confirmed in the Supreme Court of Canada.[281] Many other anomalies have been catalogued in Mr. Hayhurst's able and expert work.[282]

There are numerous other anomalies brought to light by litigation over the years in this ancient enactment. They have been recently chronicled in an able and expert manner once again by Mr. Hayhurst at the behest of the government and the government would be wise to listen to Mr. Hayhurst.[283]

It is perhaps understandable that the *Industrial Design Act* lacks the glamour of the integrated circuit project or the political importance of pharmaceutical patents. However, in the interest of good government, a way must be found to devote sufficient attention to matters such as the *Industrial Design Act* so that legislation which is obsolete and defective can be modernized.

DEFECTIVE LEGISLATION

Numerous examples of defective legislation have been cited thought this report, but some of these bear reiteration in the hope that the defects will be addressed.

Probably the most notorious example is the "Official Marks" issue under s. 9 of the *Trade-marks Act*.[284] In 1986, dozens of actions were commenced and probably hundreds more threatened to stop the use of the word "Olympic" by anyone other than the Canadian Olympic Association.

Official marks were never intended to used as commercial marks. Existing official marks should be expeditiously converted, where so deserving, to certification marks or commercial marks. Special marks, such as those dealing with the Olympics, should be dealt with by special statute or by means of a category requiring approval of the Governor in Council.

PREMATURE AREAS

There are some issues that are difficult but which are not yet ready for legislative solution. I have mentioned several in the earlier part of this report. These include:

- Trade Secrecy
- Exhaustion of rights in international trade

I would also add to this list the question of patent or other intellectual property protection for higher life forms. Quite apart from the technical, definitional, and deposit complications involved, the issue is ethically complex and extraordinarily controversial.

Such issues are not easily addressed at the present time because there is no public consensus on what the policy should be and little understanding of the issues in some cases. One can only hope that the litigation in these areas will be responsible and well balanced in terms of resources, and that the government, and the courts, if left to the courts, will be well informed when matters of public importance come to be resolved. In any case, government should be ready to act if and when the evolution of the law dictates.

ISSUES NOT REQUIRING LEGISLATION

Some aspects of intellectual property law and procedure have developed in a satisfactory manner without legislation. This is part and parcel of our common law tradition. The areas of passing off and misappropriation of personality are examples of legal doctrines that have developed best without legislative intervention. These particular examples, in any case, fall outside federal jurisdiction in Canada. However, I continue to believe that s. 7(b) of the *Trade-marks Act* provides at least comparable relief to the traditional passing off action as enunciated in *Warnink.*[285] Moreover, s. 7(b) does not require that all five of the traditional elements in *Warnink* be established. As stated elsewhere, the Federal Court requires proof of only three elements[286] with respect to traditional passing off actions, the Canadian courts have generally come to sound conclusions, even if with unpredictable reasoning.[287] The Canadian courts have established that the traditional tort of passing off can cover a wide scope of unfair practices, even to a situation where the warranty of the originator of the otherwise legitimate goods is not available to the public.[288]

On the subject of injunctions, our courts have shown a disposition to move with the times and have accepted the enlargement of the scope of injunctive relief by granting "Anton Piller" orders, "Mareva" injunctions, and "John and Jane Doe" seizure orders. In doing so, the court has shown a willingness and a capability to fashion sound procedural and enforcement solutions in a timely way.

The Supreme Court of Canada has just recently reminded us in *Bishop v. Télémetropole* that it cannot and should not decide on public policy issues. That is for the legislature.[289] The Court adopted its earlier decision in *Watkins v. Olafson* and cited the following passage:

> There are sound reasons supporting ... judicial reluctance to dramatically recast established rules of law. The court may not be in the best position to assess the deficiencies of the existing law, much less problems which may be associated with the changes it might make. The court has before it a single case; major changes in the law should be predicated on a wider view of how the rule will operate in the broad generality of cases. Moreover, the court may not be in a position to appreciate fully the economic and policy issues underlying the choice it is asked to make. Major changes to the law often involve devising subsidiary rules and procedures relevant to their implementation, a task which is better accomplished through consultation ... than by judicial decree.[290]

HOW TO DEAL WITH PROBLEMATIC LEGISLATION

In the area of intellectual property rights, I believe that the government must find ways to deal with legislative imperatives in a more productive and expedient way. More and better resources are needed. More decisiveness is needed. More political will is needed. And above all, less introspection is needed. It is suggested that intellectual property rights should occupy a higher priority on the government's agenda.

It is suggested that it is counterproductive for industry to expend large sums on research and development in the field of science and technology without the government recognizing the importance of intellectual property as an aspect thereof.

Consultation is to be applauded. But to the extent that it invites undue delay or the waiting for the achievement of an unachievable consensus, it must be put in perspective.

The best example of law revision in intellectual property was that of the omnibus revision to the *Trade Marks Act* in the early 1950s which was accomplished at virtually no cost in terms of consultants or experts. The profession presented very carefully thought out proposals which were acted upon decisively by very skilled government officials. With but a few exceptions as noted above, this enactment has stood the test of time very well.

It would appear that the current exercise in copyright revision is far less satisfactory. Apart from the 1988 amendments, Canada has made little progress in decades on this front. Issues, reports, committees, task forces, bureaucrats, consultants, Parliamentary committees, ministers, departments, and Supreme Court of Canada decisions come and go. Still, Canada remains at the 1928 level of the Berne Convention with a partially finished revision effort. Perhaps the expectations of interest groups have been raised too high. Perhaps the government is attempting to achieve an unachievable consensus. In any case, Canada may be amongst the very last of the developed countries to update its copyright laws. Until this happens, there could be a bonanza for litigation lawyers.

When legislation is out of step with industrial or commercial reality, either by reason of a defect or mere obsolescence, an affected party may initiate or defend a court proceeding in order to point out and emphasize the inadequacies of the law, even though the result is predictable. This type of litigation is costly and unproductive.

For example, I believe that many pharmaceutical companies have challenged the compulsory license provisions and the royalties payable thereunder on the basis of their firm belief that the pharmaceutical compulsory license legislative provisions were not consonant with the fundamental principles of patent law and were unfair to innovators. Another example is the recent case of *Bishop v. Télémetropole*[291] involving the copyright issue of "ephemeral rights". One may readily speculate in this instance that the defendant appealed the matter to the Supreme Court of Canada out of principle in order to underscore a point to the legislature that has been made repeatedly over the years.

POSSIBLE ROLE FOR THE SENATE OF CANADA

One lesson from the exercise involved in the passage of Bill C-60 involved the role of Members of Parliament and the Senators involved in Committee hearings. The members of the Upper House, in particular, showed very keen interest and insight into the issues involved.

Normally, intellectual property matters are nonpartisan in nature, and are always complex and technical. I believe that strong consideration should be given to creating a permanent committee in the Senate to deal with intellectual property issues. The Senate has a number of distinguished business people and lawyers in its midst, it also has an infrastructure and continuity that would lend itself well to the assumption of real responsibility in this area. On the assumption that everyone wants a more productive Senate rather than a less productive one, and on the observation that there are many persons of considerable ability in the Upper Chamber with excellent background, I believe that this recommendation should be seriously considered.

"BRIGHT LINES", LEGISLATION AND EDUCATION

Certainty and precision in the law are goals that all will say they strive to achieve but few can agree upon what they mean. On the other hand, all reasonable persons would also agree that flexibility is essential in a dynamic society in order to remain constantly competitive and adaptive to new technology and new challenges.

In principle, much litigation could be avoided if only we knew the exact meaning of certain very troublesome concepts in the law of intellectual property. In the earlier part of this chapter, I discussed the goal of using legislation to avoid recourse to litigation when statutes are defective or outmoded. In this part, I will discuss the possibility of using legislation to draw "bright lines" in order that business people can know their legal position without having to spend large sums in order to have it stated by a court. We shall see that this is desirable, but not always possible. There will always remain certain questions that need to evolve and be decided on a case by case basis without legislative circumscription. On the other hand, our current statutes could benefit from a more decisive approach on certain issues that would result in much unnecessary litigation being avoided.

Consider the patent field. Should we have a "bright line" as to patentability in respect of life forms? Should that line be drawn at single cells, several cells, animal, or human levels of being? To leave matters such as this to the courts is simply to avoid the issue, since courts are by nature inclined to decide such matters on the narrowest possible grounds. The recent Supreme Court of Canada decision in *Pioneer Hi-Bred*[292] is a classic example wherein the court was called upon to decide the patentability of plant seeds. The Court avoided the large question by finding that there was insufficient disclosure, a very narrow and convenient ground. Courts will seldom draw bright lines, and when they do, the lines are often very hazy and vague when the dust settles around them.

At least in the area of plants, there is recent legislation to deal with a long standing issue. This is in the form of the *Plant Breeders' Rights Act* which received Royal Assent on June 19, 1990.

A classic example of a court attempting to draw a bright line and creating a maze of confusion is the *Whelan v. Jaslow* case referred to elsewhere in this paper, wherein the court attempts to pronounce authoritatively on the difference between "idea" and "expression" in copyright law.[293] This is one decision that has launched perhaps a thousand articles and other law suits in a few short years, to no avail in terms of further certainty. In fact, the latest major pronouncement at the time of writing by Judge Keeton in *Lotus v. Paperback*[294] speaks at some length about the feasibility and desirability of bright lines, but then proceeds to deal with a copyright lawsuit in terms of such concepts as "obviousness", which relate primarily to patent law.

The *Lotus* decision appears to apply patent concepts to copyright issues. It may indicate a trend in the U.S.A. and elsewhere to extend copyright law in the direction of patent protection. For example, the discussion in this important judgment deals with the distinction between essential and non-essential details of expressing ideas. This language is really much more appropriate to a discussion of the doctrine of substance in patent law. Likewise, the discussion at pages 45 ff. of the judgment of the concepts of "obviousness" and "merger" is somewhat disquieting, since Judge Keeton sees the copyright concept of "merger" as a "slight extension" of the patent concept of "obviousness". The concept of "obviousness" refers to the degree of advance in the art in patent law. An advance in the state of the art to a degree that the solution does not come immediately to the mind of the inventor looking at the problem (a person skilled in the art) is said to be non-obvious. When there is only one or a very few ways of expressing an idea in words, there is said to be merger of the idea and expression and there can be no copyright in the result. Judge Keeton seems to be saying that there is no difference, therefore no advance, between "idea" and "expression" where the expression is not dictated by the idea but is obvious from the idea. This is a highly problematic approach to copyright law.

It is a well established principle that courts should not mix the various fields of intellectual property law, unless absolutely necessary. In fact, Estey, J. of the Supreme Court of Canada stated this quite clearly in 1979 when he stated that:

> "Courts in this technical field of copyright have long found it prudent to make their judicial answers precisely congruent with the legal issues raised in the proceedings at hand, leaving so far as possible, analogies, examples, and hypothetical questions to another day."[295] (emphasis added)

There is a risk that by using patent concepts to interpret copyright law, we could end up with strong patent-like protection for life plus fifty years with no safeguard of examination. Of course, the traditional *quid pro quo* was that patent protection was stronger than copyright but was for a much shorter duration and subject to the safeguard of examination for such factors as inventive step, novelty, etc.. Judge Keeton's reasons for judgment raise some profound issues about the purpose of patent and copyright law and the distinctions between them. One might well pause to determine whether such issues are best decided in the courts or by legislative bodies.

Notwithstanding the benefits flowing from certainty and precision, business needs flexibility, challenge and the freedom to innovate within the parameters of fair practice and commonly understood rules. It is not an answer to state that the issues are so complex that Parliament cannot deal with them. Courts are even less equipped than government to deal with some issues. They must address narrow questions presented by as few as two parties and do not have the array of technical and policy expertise available to them that government does. In any case, it is not and never was the court's function to forge new policy and "bright lines" in leading edge issues in intellectual property or any other area, except perhaps in such field as *Charter of Rights* litigation where Parliament, in effect, conferred this task explicitly upon the courts and government provided the machinery and funding to make it work.

The attainment of a correct balance between certainty of the law and flexibility of the law has been said to be the genius of the common law. That reconciliation becomes more and more difficult in the dynamic society of today where new technologies and new ways of creating, storing, and disseminating information come and go far faster than our courts or lawmakers seem capable of dealing with.

Nonetheless, legislative change is the best mechanism to strike the proper balance and to define the public policy behind it. If this means new types of statutes or treaties, then the challenge must be met. Perhaps recent worldwide efforts in respect of integrated circuit protection portend a movement in this *sui generis* direction. However, the result is discouraging, given that the U.S.A. and Japan refuse to accede to the Washington Treaty of 1989, and that the various chip laws are all so specific that they are unlikely to serve as a model for anything else.

Legislative renewal in intellectual property will be no easy task. Our statutes and treaties are over a century old in concept and, in many cases, in specific language. The old pigeonholes of patent, copyright, trade-mark, and design law are no longer very well demarcated. The problems ahead are vast. It is the challenge of lawmakers to monitor the dynamic changes in society so that our legislative responses will be timely and representative of sound Canadian public policy, recognizing that intellectual property law must take into account Canada's international economic and political imperatives.

CHAPTER IX - CONCLUSIONS/RECOMMENDATIONS

"BRIGHT LINES" AND LEGISLATIVE RENEWAL

I. Statutes in the industrial and intellectual property field should be examined on a more regular basis to ensure that they reflect the needs of contemporary society.

II. It is both the proper role and the duty of government to define the nature of intellectual property rights, and the balance point between the rights of owners and users. Even when difficult choices must be made between positions of various interest groups and even government departments, the government must act decisively and in a timely manner.

III. Intellectual property issues should occupy a permanently higher position on the government's agenda of priorities. They are fundamental to industrial and cultural development as well as to international trade.

IV. The current issues involving the protection of computer programs require active monitoring by the government in the event that a quick decision and a legislative response should be needed.

V. A permanent Committee in the Senate should be established to concern itself with intellectual property issues.

VI. Where appropriate, Parliament must exercise its responsibility to establish certainty in the law of intellectual property.

CHAPTER X

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

CHAPTER I - THE OVERALL LITIGATION SYSTEM AS IT NOW STANDS

1. There is an indispensable role in Canada for the Federal Court. This role includes jurisdiction in intellectual property cases.

2. Rather than weaken and dilute the Federal Court, Canada should encourage expertise in this Court, particularly in the field of intellectual property.

3. A means should be found for the Federal Court to gather and make available more useful statistical information on its activities.

4. There should be disclosure in advance of the hearing of the composition of the Court hearing a particular case.

5. Judges should be encouraged and given appropriate resources for research so as to enable the rendering of more frequent and better quality of reasoned decisions.

6. Canada does not yet need a specialized superior court with full jurisdiction in intellectual property matters; however, consideration should be given to encouraging greater expertise and education in the present system.

7. Consideration should be given to a greater use of alternative dispute resolution mechanisms for decision making in intellectual property matters to take the burden off the Court and to assist the Court. See also Chapter V.

CHAPTER II - WHY IS LITIGATION SO EXPENSIVE?

8. Rule 448 of the Federal Court Rules should be clarified so that unlimited production and discovery is not allowed on a routine basis. Tactics of non-cooperation or deliberate delay might be penalized forthwith by an award of costs or, if repeated, a citation for contempt.

9. Third party discovery should not be permitted on a routine basis.

10. There should be a more affirmative duty on all parties of full disclosure in production of documents relevant to issues defined by the pleading.

11. There should be a provision in the Federal Court Rules of Practice to permit lawyers to charge clients on a contingency fee basis under court-controlled conditions to permit access to the Court in intellectual property matters.

12. The Court should be encouraged to use its discretion as to costs to discourage unnecessary motions, overextended and oppressive discovery, and tactics which create delay or increased costs.

13. Rule 465(5) of the Rules of the Federal Court should be clarified so as to ensure Canadian control of the process in a Canadian action.

14. Bifurcation of issues in a trial, especially in patent infringement cases, should be done more routinely.

15. References as to damages should continue to be conducted by a prothonotary who would be given power to make an adjudication rather than merely a report.

16. Affirmative case management by the Court should be done on a routine basis.

17. It is recommended that a system be institutionalized as to "decision making management" to ensure the delivery of judgments on a timely basis.

18. The Federal Court and Federal Court of Appeal should be given sufficient resources of an administrative and professional nature to serve their requirements. They should be able to provide more useful and more detailed statistics as to their activities.

19. The Judge in charge of a case should be able to utilize video tele-conferencing as a method of disposing of interlocutory motions, wherever feasible.

20. The Judge in charge of a case should define issues to be dealt with by the prothonotaries. The Judge in charge of a case should be empowered to require written interrogatories in addition to or in lieu of oral discovery when deemed appropriate.

21. There should be close monitoring of the effect of activity of collectives when there is no mandatory supervision by the Copyright Board to protect the public interest.

22. Long range consideration should be given to establishing statutory remedies for bad faith or sham litigation involving intellectual property claims.

23. In theory there is no impediment to the availability of either general liability or litigation expense insurance to indemnify parties to any form of intellectual property infringement action.

24. The government and the private sector should explore the possibility of promoting greater availability and awareness of such insurance in all areas of intellectual property to help ensure effective and accessible enforcement of IP rights. If successful, such measures may assist in limiting anti-competitive and other distorting effects of the all too often prohibitive expenses associated with intellectual property litigation.

25. Summary judgments should be more readily granted where admissions are made on discovery or otherwise in the proceedings and on a broader test than now prevails.

26. Consideration should be given to the development of a mechanism where, in an appropriate case, an interlocutory application can be converted into a determination on the merits.

CHAPTER III - EXPERTISE AND EDUCATION

27. Special courses in intellectual property law should be offered to newly appointed Superior Court Judges through the Canadian Judicial Council and the Canadian Judicial Center.

28. Judges should be appointed to the Federal Court with specialized background in intellectual property law, although they should not be assigned exclusively to this area. Recruitment should consider not only private practitioners but government, industry, and academia.

29. The use of assessors should be further explored in the Federal Court. Similarly a composite Court which has lay experts may in the long run warrant consideration, but I would suggest that it is premature to have validity and infringement issues placed before lay decision makers in a court setting.

30. The Court should use its discretion with respect to costs to discourage unnecessary use of expert witnesses.

31. The role, scope, and nature of expert testimony in a trial should be explicitly discussed at the pretrial hearing with a view to reducing the time and cost of this phase of the trial.

32. The Canadian government, through an appropriate mechanism, by funding or otherwise should provide a forum for the education of individuals and small business as to the risks and benefits of intellectual property laws.

33. There should be a more systemized education program to alert small business owners as to the manner in which industrial property laws may assist them or may cause them grief.

34. More and more specialized resources should be available to the appropriate government departments for the development of sound policy in intellectual property matters.

35. Government itself, at the higher levels, needs more expertise, education, and continuity in intellectual property law.

CHAPTER IV - PARTICULAR ASPECTS OF LITIGATION

36. Interrelationships of statutes dealing with intellectual property should be more consistent and updated.

37. The remedies and presumptions in each of the four aspects of industrial property acts should be more consistent.

38. There should be more timely updating of statutes or their interpretations to enable them to define clear principles in the public and private interests which they are designed to serve.

39. There should be a uniform limitation period of three years under all of the Federal intellectual property statutes.

40. The status of licensees to sue should be harmonized, rationalized, and clarified amongst the intellectual property statutes.

41. The intellectual property statutes should be made specifically applicable to Her Majesty the Queen in right of Canada and federal crown agencies. Subject to constitutional rights, the Statutes should be made applicable to the Crown in right of the Provinces and crown agencies.

CHAPTER V - ARBITRATION

42. Arbitration as a mechanism of dispute resolution should be encouraged. Assistance should be given to the establishment and maintenance of an infrastructure of trained arbitrators having expertise in intellectual property matters.

43. Promotion of and or funding assistance for the creation and publication of an Intellectual Property Arbitration Guide similar to the "Patent, Trademark and Copyright Arbitration Guide" which has been produced by the American Arbitration Association.

44. Arbitration should be more closely integrated into the judicial process through case management and should be used to resolve discrete parts of law suits where appropriate. Further study should be undertaken to determine what amendments to the intellectual property statutes and the *Federal Court Act* and Rules may be necessary to give effect to this recommendation.

45. Further consideration should be given as to whether legislative amendments are necessary and or desirable to ensure that Intellectual Property validity and infringement issues may be arbitrated as between the parties.

CHAPTER VI - TRADE AND INDUSTRY - STRATEGIC ASPECTS OF LITIGATION

46. Canadian intellectual property laws should be reexamined in the light of new trade-related problems that will arise from free trade and other trade-related initiatives to support Canadian manufacture.

47. Effective intellectual property laws should be integrated with the development of technology and Canada's industrial strategy.

48. There should be further study and awareness of the U.S. system of fully adjudicated compulsory licensing under antitrust doctrines. There may be useful lessons for Canada in this example.

49. As trade becomes more liberalized, Canadian policy makers and drafters of any legislation dealing with intellectual property must realize that the private sector will make every effort, through litigation if necessary, to use intellectual property laws as protectionist barriers to trade, in effect, as private tariffs.

50. The doctrine of exhaustion, or as Canada applies it "implied license" is crucial to international trade. If not thoroughly understood by legislators and dealt with by Parliament, it may be determined, and quite possibly eliminated, through litigation.

51. Canada should strive to achieve more efficacious international dispute settlement mechanisms both for private and public international law issues involving intellectual

property. This will not only lessen litigation but increase Canada's strength vis-à-vis stronger economies.

52. A policy should be adopted as to Canada's position on efficient and effective border enforcement for the protection against counterfeit goods and pirated works.

CHAPTER VII - COMPETITION, ACCESS TO THE COURTS, AND CRIMINAL LAW

53. There should be more scope for the Federal Court to fashion imaginative and appropriate remedies for abuse of intellectual property rights in Canada.

54. Exemplary damages and solicitor and client costs are available to compensate for loss of profits occasioned by bad faith litigation and should be used for that purpose within the exercise of the Court's discretion. The Court must be satisfied in such a case that solicitor and client costs would not be an adequate remedy.

55. A private right of action should be established under the *Competition Act* with respect to what is presently found in s. 32. A specific amendment to ss. 78 and 79, also enforceable by private action, should be considered as a sanction against bad faith litigation.

56. A "small claims" forum should be established under federal jurisdiction with respect to copyright matters, or other intellectual property claims, to facilitate access to justice where the damages are relatively small.

57. Statutory minium damages as a concept are premature at this time.

58. The criminal remedies, particulary those in the *Copyright Act* and *Trade-marks Act* should be reviewed with a view to achieving harmonization in enforcement and procedure, as well as to ensure that they are neither too harsh nor too permissive.

CHAPTER VIII - A NEW TRIBUNAL

59. The government should establish a new Intellectual Property Tribunal (IPT) to consolidate existing administrative law functions relating to intellectual property.

60. The IPT should be given the additional functions of small claims jurisdiction and appellate responsibility for decisions from the Commissioner of Patents and Registrar of Trade-marks.

61. There should be a federally appointed tribunal empowered to deal with smaller (i.e. less than $10,000) copyright and trade-mark claims in a prompt, informal, expeditious manner with limitations on use of expert testimony and limitations on costs recoverable for both plaintiff and defendant. This could be part of the Federal Intellectual Property Tribunal.

62. The Tribunal should be empowered to state a case on any important point of law to the Federal Court Trial Division.

63. A judge of the court having appellate jurisdiction over matters involving a regulatory tribunal dealing with intellectual property ought not be a member of the tribunal.

64. The IPT should consists of judges, experienced intellectual property lawyers, and lay experts.

65. Wherever appropriate, the expertise and experience of those currently serving on intellectual property tribunals should be carried forward.

66. The IPT should be so constituted and organized as to ensure adequate independence for its members and to attract highly qualified members.

67. The IPT should be given a fully staffed and well qualified Research and Support Directorate to assist its work.

68. The IPT should utilize video and tele-conferencing facilities wherever possible, and in particular for small claims, trade-mark oppositions, and other matters where such a facility would be productive. Travelling by members "on circuit" could be an alternative.

69. Appeals from the IPT to the Federal Court of Appeal should be limited to questions of law and be subject to a requirement for leave in certain cases.

CHAPTER IX - "BRIGHT LINES" AND LEGISLATIVE RENEWAL

70. Statutes in the industrial and intellectual property field be examined on a more regular basis to ensure that they reflect the needs of contemporary society.

71. It is both the proper role and the duty of government to define the nature of intellectual property rights and the balance point between the rights of owners and users. Even when difficult choices must be made between positions of various interest groups and even government departments, the government must act decisively and in a timely manner.

72. Intellectual property issues should occupy a permanently higher position on the government's agenda of priorities. They are fundamental to industrial and cultural development as well as to international trade.

73. The current issues involving the protection of computer programs require active monitoring by the government in the event that a quick decision and a legislative response should be needed.

74. A permanent Committee in the Senate should be established to concern itself with intellectual property issues.

75. Where appropriate, Parliament must exercise its responsibility to establish certainty in the law of intellectual property.

APPENDIX

SUMMARY OF INTELLECTUAL PROPERTY LITIGATION STATISTICS

Volume of Litigation

On a per capita basis, Canada is an active forum for intellectual property litigation. Over the past decade ending January 1, 1990, over 3,500 proceedings involving intellectual property were commenced in the Federal Court of Canada. The Federal Court, although not having exclusive jurisdiction over all intellectual property matters, is the predominant forum for such litigation. The Federal Court disposes of more intellectual property matters than the provincial superior courts combined.

Between 1980 and 1985 there were roughly 10 times the number of patent and trade-mark proceedings commenced in the U.S. District Court than commenced in the Federal Court Trial Division. It is worthy of note that 3/4 of the trade-mark proceedings commenced in the Federal Court of Canada Trial Division during this period were appeals from decisions of the Registrar of Trade-marks. Appeals to the Commissioner of Patents are appealed directly to the Federal Court of Appeal.

A much lower incidence of copyright proceedings were commenced in Canada than in the U.S. during this period. Only 356 copyright proceedings were commenced in the Federal Court Trial Division between 1980 and 1985 compared to over 11,000 in the U.S. District Courts.

Pace of Litigation

Patents

To litigate a patent in Canada it is estimated that it will take over four years following the issuance of a statement of claim before a judgment is rendered by the court. By way of rough comparison, one estimate of the average time in which a case reaching trial before the U.S. District Court will be disposed of (by judgment or otherwise) is 2.5 years.

Trade-marks

It appears to take approximately 2.5 years to receive a judgment in an action for infringement, or an application to expunge a trademark in the Federal Court of Canada. Again, by way of comparison, it has been estimated that trademark matters reaching trial in the US District Court, are disposed of in just over 1 year.

Copyright

It takes approximately two years to litigate a copyright matter either in the Federal Court of Canada or in the U.S. District Court.

In sum, in Canada, as in the United States, patent litigation is more time consuming than copyright which in turn takes longer to adjudicate than trade-mark disputes. Patent litigation in Canada appears to be particularly slow compared to the United States.

The Cost of Litigating Intellectual Property Rights

Patent litigation is a particularly good example of the great expense of litigating intellectual property rights. It is not uncommon for litigation costs to exceed $1 million dollars in the United States. Of particular concern is the great expense incurred for discovery and the trial itself. In Canada such costs commonly are in excess of several hundred thousand dollars. As a general rule patent litigation is more expensive in the United States than in Canada.

TABLE 1

COMMENCEMENT TRENDS OF INTELLECTUAL PROPERTY SUITS IN THE FEDERAL COURT TRIAL DIVISION (1980-1990)[296]

Cases Commenced (Year ending)	Copyright	Patents	Trademark[297]	Industrial Design	Annual Total
1980	39	73	134	13	259
1981	33	79	125	13	250
1982	51	107	170	15	343
1983	79	106	143	29	357
1984	76	81	151	31	339
1985	78	92	178	14	362
1986	67	95	212	20	394
1987	99	103	188	33	423
1988	76	77	191	15	359
1989	72	79	273	16	440
TOTAL	670	892	1 765	199	3 526

TABLE 2

INTELLECTUAL PROPERTY INFRINGEMENT/VALIDITY ACTIONS FOR WHICH WRITTEN TRIAL DECISIONS WERE ISSUED BY THE FEDERAL COURT TRIAL DIVISION 1980-1990[298]

Written Trial Decisions (Year ending)	Copyright	Patents	Trademark*
1980, 1981 1982, 1983	6	10	85
1984	1	5	29
1985	4	5	30
1986	3	7	12
1987	3	4	22
1988	0	6	18
1989	1	10	13
TOTAL	18	51	194*

* Approximately 75% of the proceedings recorded herein are appeals from decisions of the Registrar of Trade-marks and the Trade-marks Opposition Board on the validity or registrability of a mark; the remaining 25% are applications for expungement made to the Federal Court Trial Division and actions for infringement and passing off.

TABLE 3

PROPORTION OF WRITTEN TRIAL DECISIONS TO PROCEEDINGS COMMENCED FEDERAL COURT TRIAL DIVISION

	Copyright	Patents	Trademark
RATIO	2.7%	5.72%	11%

TABLE 4

PACE OF INTELLECTUAL PROPERTY LITIGATION IN THE FEDERAL COURT TRIAL DIVISION (1986-1990)

Type of Action	Estimated time from issuance of Statement of Claim to date of Judgment in Action for which Written Reasons have been rendered between January 1, 1986 and January 1, 1990
Patents	4.7 years
Copyright	1.7 years
Trademarks*	2.5 years

* Only actions for infringement and applications for expungement, not appeals from the Registrar of Trade-marks included.

TABLE 5

PATENT TRIAL DECISIONS OF THE FEDERAL COURT OF CANADA AND THE PROVINCIAL COURTS (1987 TO JUNE 1990)

Jurisdiction	Number of Cases	Number of times Patentee Successful*
Federal Court	19	8
Provincial Courts	2	2
TOTAL	21	10

* For similar information on appeals see Table 8.

MATTERS IN THE FEDERAL COURT OF APPEAL

TABLE 6

**APPEALS FROM INTERLOCUTORY ORDERS
AND FINAL DECISIONS OF THE TRIAL DIVISION
(1980-1990)[299]**

Appeals Commenced (Year ending)	Copyright	Patents	Trademarks*
1980	n/a*	17	19
1981	1	19	12
1982	3	27	25
1983	11	40	27
1984	3	14	18
1985	10	13	28
1986	5	16	18
1987	7	15	19
1988	4	16	16
1989	3	36	24
Total Appeals Commenced	(approx. 47)	213	206

* Verifiable statistic for 1980 unavailable.

MATTERS IN THE FEDERAL COURT OF APPEAL (cont'd)

TABLE 7

PROPORTION OF APPEALS FROM INTERLOCUTORY AND FINAL DECISIONS OF THE FEDERAL COURT TRIAL DIVISION TO PROCEEDINGS COMMENCED IN THAT COURT (1980-1990)			
	Copyright	Patents	Trademarks*
Total Appeals Commenced	(approx. 47)	213	206
Total Proceedings Commended in the Federal Court, Trial Division	670	892	1 765
Ratio of Appeals to Proceedings Initiated	(approx. 7%)	(24%)	(12%)

TABLE 8

APPEALS FROM PATENT TRIALS OF THE FEDERAL COURT TRIAL DIVISION TO THE FEDERAL COURT OF APPEAL (1987 TO JUNE 1990)			
Jurisdiction	No. of Appeals	No. of Reversals	TOTAL
Federal Court	6	1	7

TABLE 9

APPEALS FROM DECISIONS OF THE COMMISSIONER OF PATENTS (1980-1990)

Appeal Commenced (Year ending)	Commissioner of Patents
1980	11
1981	12
1982	19
1983	8
1984	6
1985	21
1986	31
1987	28
1988	22
1989	10
TOTAL	168

TABLE 10

ESTIMATE OF DISTRIBUTION OF INTELLECTUAL PROPETTY CASE-LOAD BETWEEN THE FEDERAL COURT OF CANADA AND THE PROVINCIAL COURTS[300]

TYPE OF LITIGATION

QL Database	Copyright	Patents	Trademarks	Industrial Design
Supreme Court Judgments	4	2	6	0
Federal Court Judgments	131	82	299	42
British Columbia Judgments	32	5	47	5
Alberta Judgments	14	0	12	1
Saskatchewan Judgments	7	1	20	1
Manitoba Judgments	7	3	5	0
Ontario Judgments	22	3	46	5
Quebec[301] Judgments	44	32*	44	12
New Brunswick Judgments	2	0	3	0
Nova Scotia Judgments	0	0	1	1
Price Edward Island Judgments	0	0	0	0
Newfoundland Judgments	1	0	4	0

* Subject to verification.

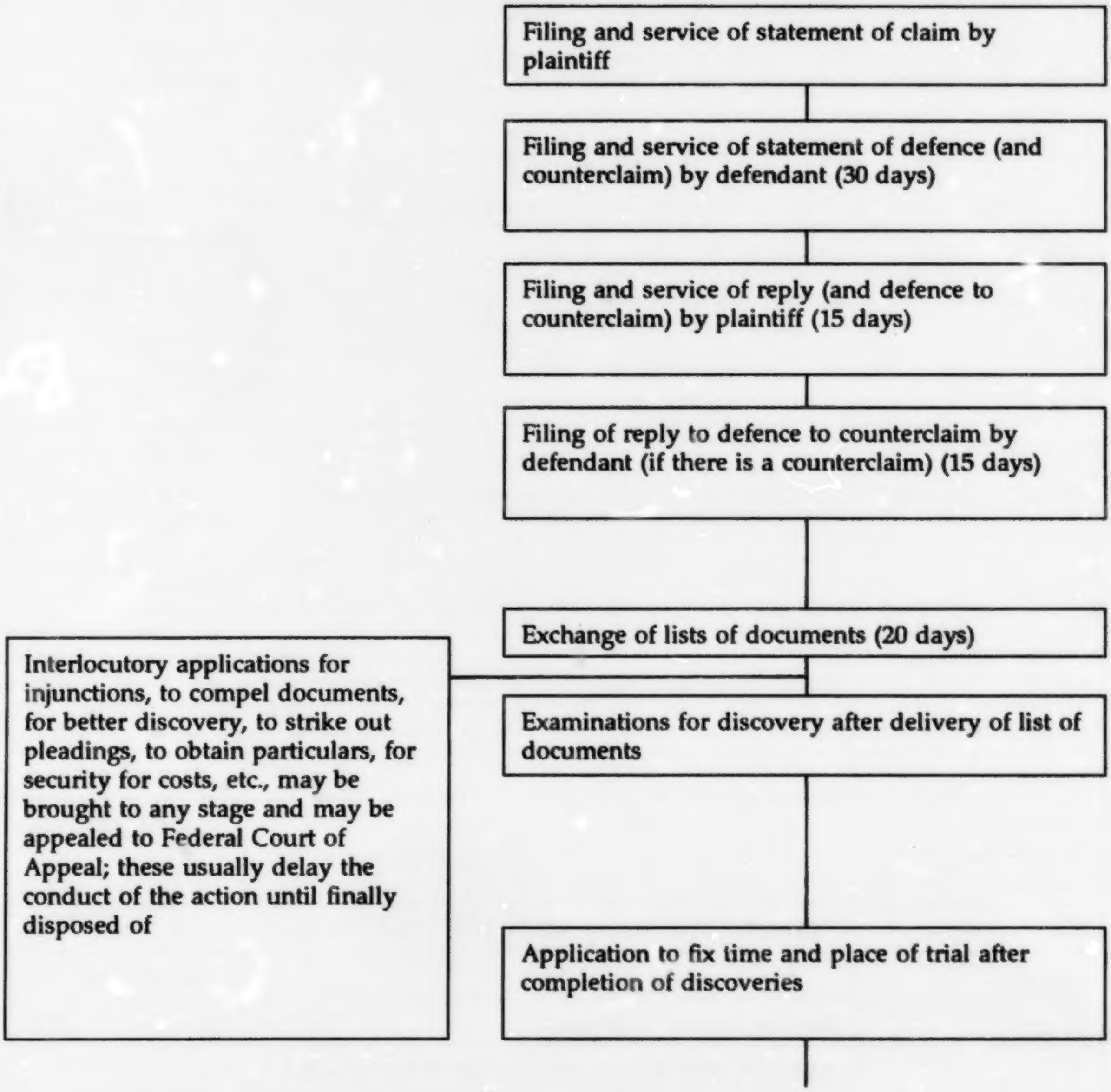
TABLE 11

ESTIMATE OF COSTS INCURRED BY A PLAINTIFF IN A CANADIAN PATENT INFRINGEMENT SUIT[302]

COST FACTORS		ESTIMATED COST
BEFORE THE FEDERAL COURT TRIAL DIVISION		
Pleadings, discovery, interlocutory proceedings and preparation for trial		
Bailiff	service of statement of claim	$45 - $70
Lawyer	including possible additional services of Patent Agent and possible consultations with expert adviser and disbursements for travel, etc.	$8 500 - $85 000
Court	fee for commencing the proceeding	$12 - $110
Security for Costs		$3 500 - $35 000
Verbatim Reporter	for transcribing testimony on discovery	$850 - $8 500
Trial		
Lawyer		$17 000 - $85 000
Technical Expert		$850 - $17 000
Court	fee for filing date and place of hearing	$12 - $210
Assessment of Damages		
Lawyer		$1 700 - $17 000
Expert (accountant), if necessary		$850 - $17 000
BEFORE THE FEDERAL COURT OF APPEAL		
Lawyer		$8 500 - $35 000
Court	for filing notice of appeal	$35
BEFORE THE SUPREME COURT OF CANADA		
Lawyer		$8 500 - $35 000

TABLE 12

THE STAGES OF AN ACTION TO ENFORCE INTELLECTUAL PROPERTY RIGHTS IN THE FEDERAL COURT OF CANADA, TRIAL DIVISION



Filing and service of statement of claim by plaintiff

Filing and service of statement of defence (and counterclaim) by defendant (30 days)

Filing and service of reply (and defence to counterclaim) by plaintiff (15 days)

Filing of reply to defence to counterclaim by defendant (if there is a counterclaim) (15 days)

Exchange of lists of documents (20 days)

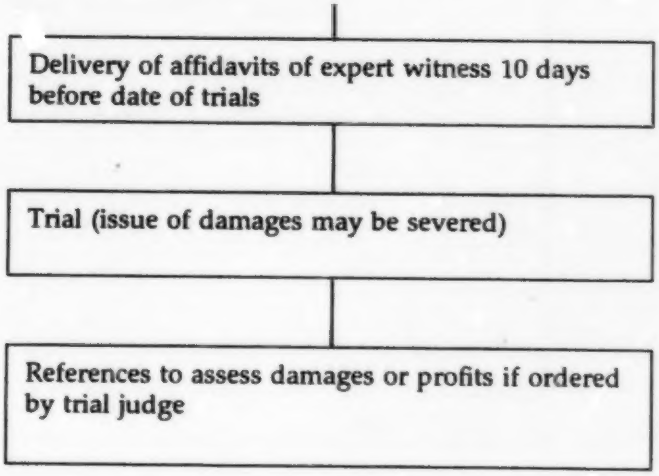
Interlocutory applications for injunctions, to compel documents, for better discovery, to strike out pleadings, to obtain particulars, for security for costs, etc., may be brought to any stage and may be appealed to Federal Court of Appeal; these usually delay the conduct of the action until finally disposed of

Examinations for discovery after delivery of list of documents

Application to fix time and place of trial after completion of discoveries

TABLE 12 (continued)

THE STAGES OF AN ACTION TO ENFORCE INTELLECTUAL PROPERTY RIGHTS IN THE FEDERAL COURT OF CANADA, TRIAL DIVISION



Delivery of affidavits of expert witness 10 days before date of trials

Trial (issue of damages may be severed)

References to assess damages or profits if ordered by trial judge

TABLE 13

COMMENCEMENT TRENDS OF INTELLECTUAL PROPERTY SUITS (U.S. DISTRICT COURT: 1980-1985[303])				
Cases Commenced (Year ending)	Copyright	Patent	Trademark	Annual Total
1980	1 424	802	1 548	3 774
1981	1 515	782	1 717	4 014
1982	1 746	836	2 003	4 585
1983	2 226	1 002	2 185	5 413
1984	2 102	998	2 185	5 285
1985	2 113	1 145	2 140	5 398
TOTAL	11 126	5 565	11 778	28 468

TABLE 14

CHANGES OF INTELLECTUAL PROPERTY SUITS REACHING TRIALS[304]			
AVERAGE	Copyright	Patent	Trademark
1979-1984	3.1%	10.8%	5.5%

TABLE 15

PACE OF LITIGATION IN THE U.S. DISTRICT COURT DURING THE YEAR ENDING JUNE 30, 1985[305]

	MATTERS DISPOSED OF PRIOR TO TRIAL		MATTERS DISPOSED OF AFTER COMMENCEMENT OF TRIAL	
Type of Action	Total Cases Terminated Before Trial	Median Time to Disposition	Total Reaching Trial	Median Time to Disposition
Patents	988	10 months	85	30 months
Copyright	2 066	6 months	50	23 months
Trademarks	2 115	6 months	77	13 months

TABLE 16

RANGES OF COSTS INCURRED BY LARGE CORPORATIONS FOR PATENT LITIGATION IN THE U.S. DISTRICT COURT[306]

(COST RANGE TO LARGE CORPORATIONS FOR PATENT LITIGATION, 1976-80 LITIGATION WITH THE USE OF OUTSIDE COUNSEL, LITIGATED THROUGH TRIAL)

	CHEMICAL PATENTS	ELECTRICAL PATENTS	MECHANICAL PATENTS
Minimum	$ 90 000	$ 50 000	$100 000
Low Range Median	135 000	140 000	160 000
High Range Median	590 000	510 000	575 000
Maximum	2 000 000	740 000	570 000

TABLE 17

ESTIMATE OF COSTS INCURRED BY A PLAINTIFF IN A PATENT INFRINGEMENT SUIT IN THE U.S. DISTRICT COURT[307]

Pre-Suit Stage: Approx. Cost – $5 000 to $65 000

Often a patent owner will conduct an investigation following his/her belief that a patent is being infringed. Such an investigation of the alleged infringement will likely include an evaluation whether the patent will be found to validly cover the suspected infringement and whether the suspect infringer would assert any counter claims against the owner in the event of a suit.

Pre-trial Stage

Initial Pre-trial Activity: Approx. cost – $5 000 to $10 000

Filing a suit [i.e. issuing a statement of claim] initiates the pre-trial stage. The complaint and related papers can be prepared relatively quickly. A request for a jury trial is made at this time as the rules require such a request to be made within 10 days of the close of pleadings. Costs of this stage can increase significantly if a temporary restraining order or immediate seizure of infringing goods are sought.

Discovery: Approx. cost -- less than $10 000 to more than $1 000 000 +

Discovery is a process by which a party can compel his opponent to reveal the details of the occurrence or transaction at issue and details of his or her case. Discovery is governed by the [U.S.] Federal Rules of Civil Procedures. The wide range of issues that can be litigated in a patent suit can lead to a very broad, extensive and expensive process.

Motions: Approx. cost of a motion – $10 000 to $25 000

Motions (requests that the court rule on matters prior to the trial) typically include interlocutory injunctions, motions for summary judgment, motions to compel compliance with discovery requests, and motions to extend the time required to respond to such requests. Costs can vary widely from less than $1 000 to in excess of $50 000.

Trial: Approx. cost – $35 000 to $225 000 +

The cost of the trial varies widely, but (including trial briefs, preparation for trial and trial itself) is often in excess of $225 000.

Appeals: Approx. costs – $50 000 to $150 000 (including briefs)

As of October 1, 1982 all appeals from patent infringement actions lie to the CAFC [Court of Appeals, Federal Circuit]. Costs of an appeal vary depending upon the complexity of the appeal. they can range from $20 000 to $150 000.

TABLE 18

DISTRIBUTION PATENT INFRINGEMENT LITIGATION COST RATIOS FOR PATENT CASE COSTING FROM $300 000 TO $700 000

COST FACTORS	% OF TOTAL COST[308]
BEFORE THE U.S. DISTRICT COURT	
Investigation of prior art and nature of alleged infringing acts	11.6%
Legal studies and evaluations	10.8%
Discovery proceedings	41.5%
Direct expenses of time in trial court	12.6%
Costs of preparing trial briefs	14.8%
APPELLATE PROCEEDINGS	
Costs of appeals, including brief and argument	3.4%
OTHER	
Other expenses	3.4%
TOTAL	100%

TABLE 19

THE STAGES OF AN ACTION TO ENFORCE INTELLECTUAL PROPERTY RIGHTS IN THE U.S. DISTRICT COURT

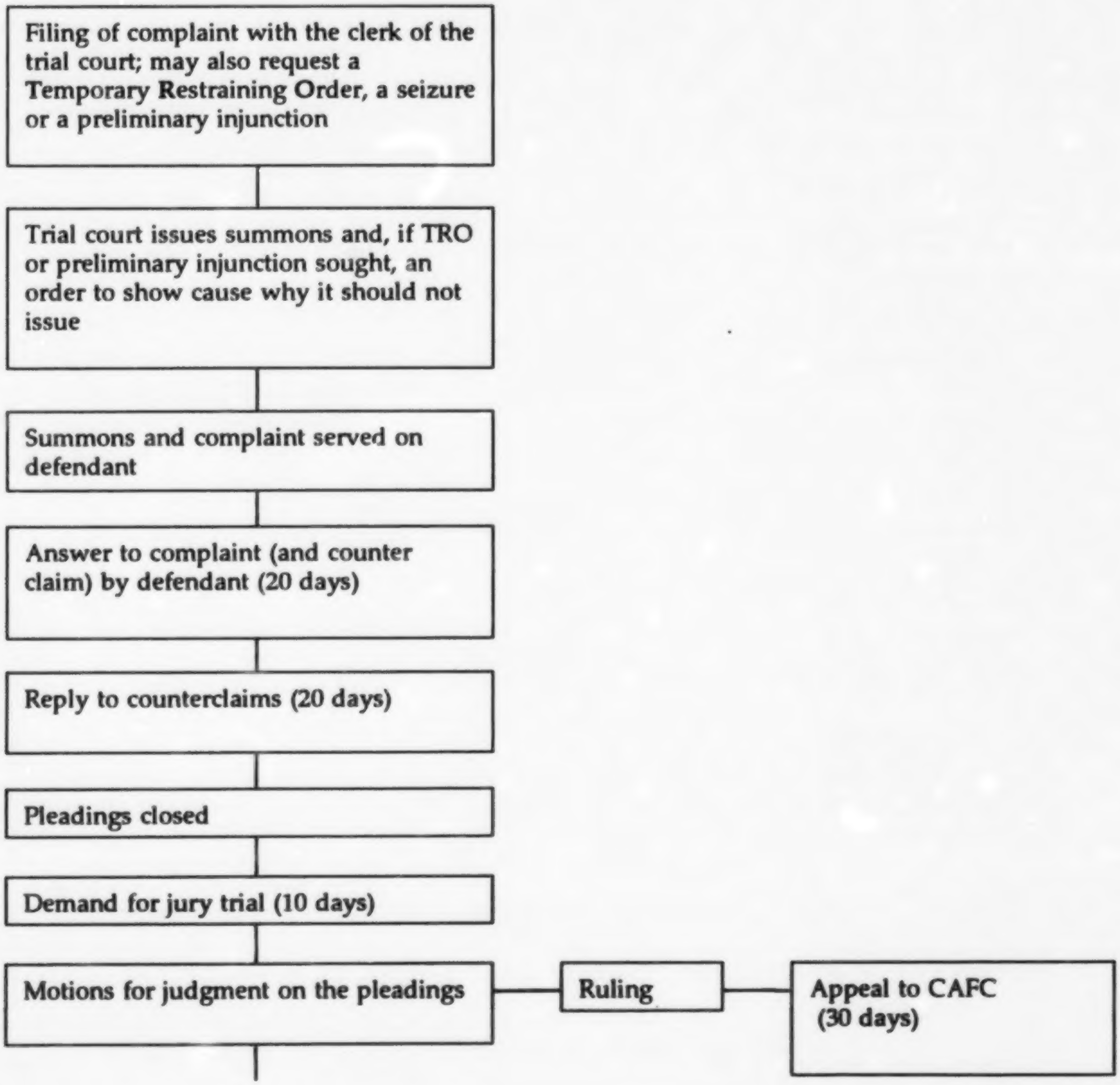

Filing of complaint with the clerk of the trial court; may also request a Temporary Restraining Order, a seizure or a preliminary injunction
Trial court issues summons and, if TRO or preliminary injunction sought, an order to show cause why it should not issue
Summons and complaint served on defendant
Answer to complaint (and counter claim) by defendant (20 days)
Reply to counterclaims (20 days)
Pleadings closed
Demand for jury trial (10 days)
Motions for judgment on the pleadings
Ruling
Appeal to CAFC (30 days)

TABLE 19 (continued)

THE STAGES OF AN ACTION TO ENFORCE INTELLECTUAL PROPERTY RIGHTS IN THE U.S. DISTRICT COURT

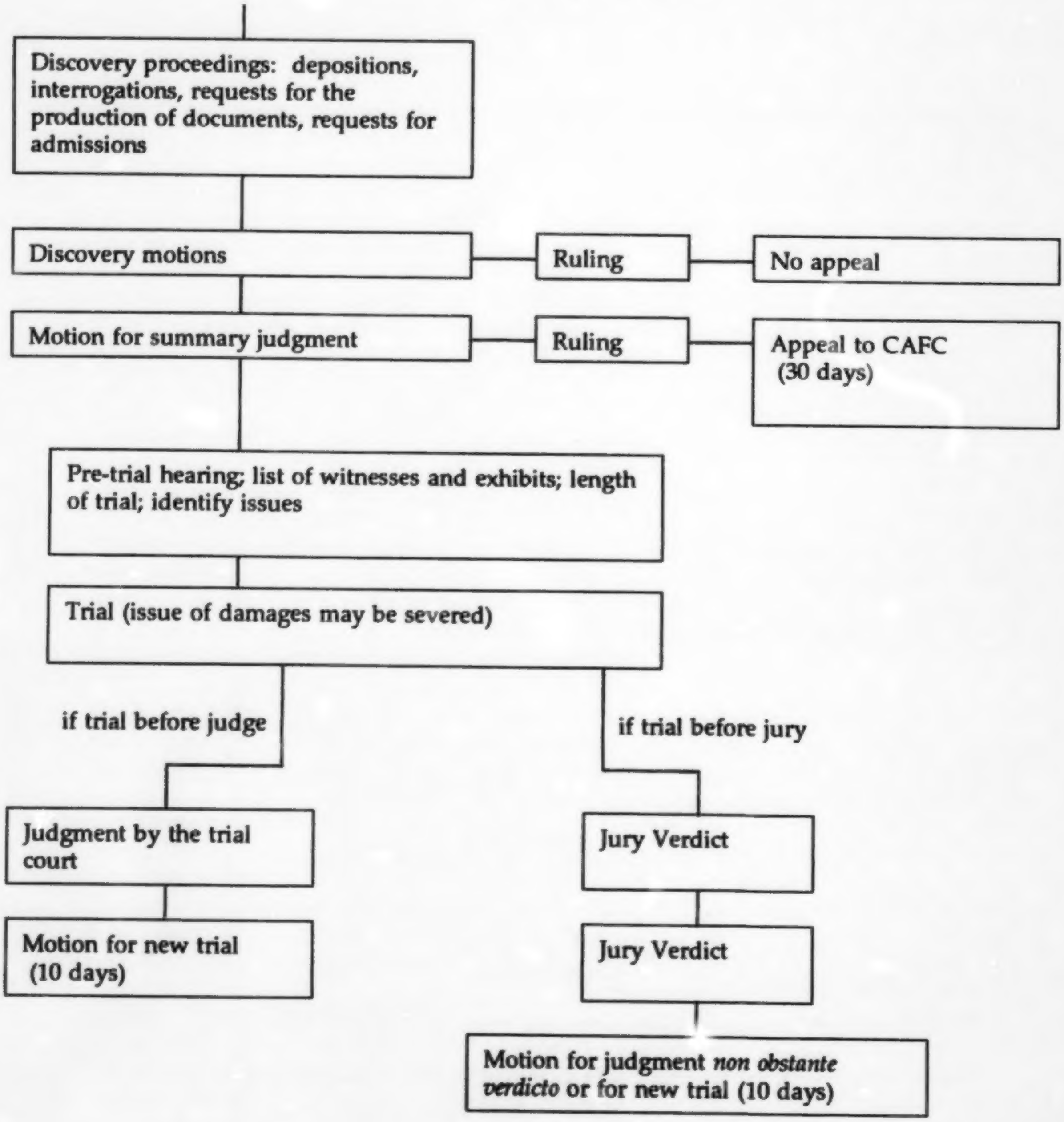
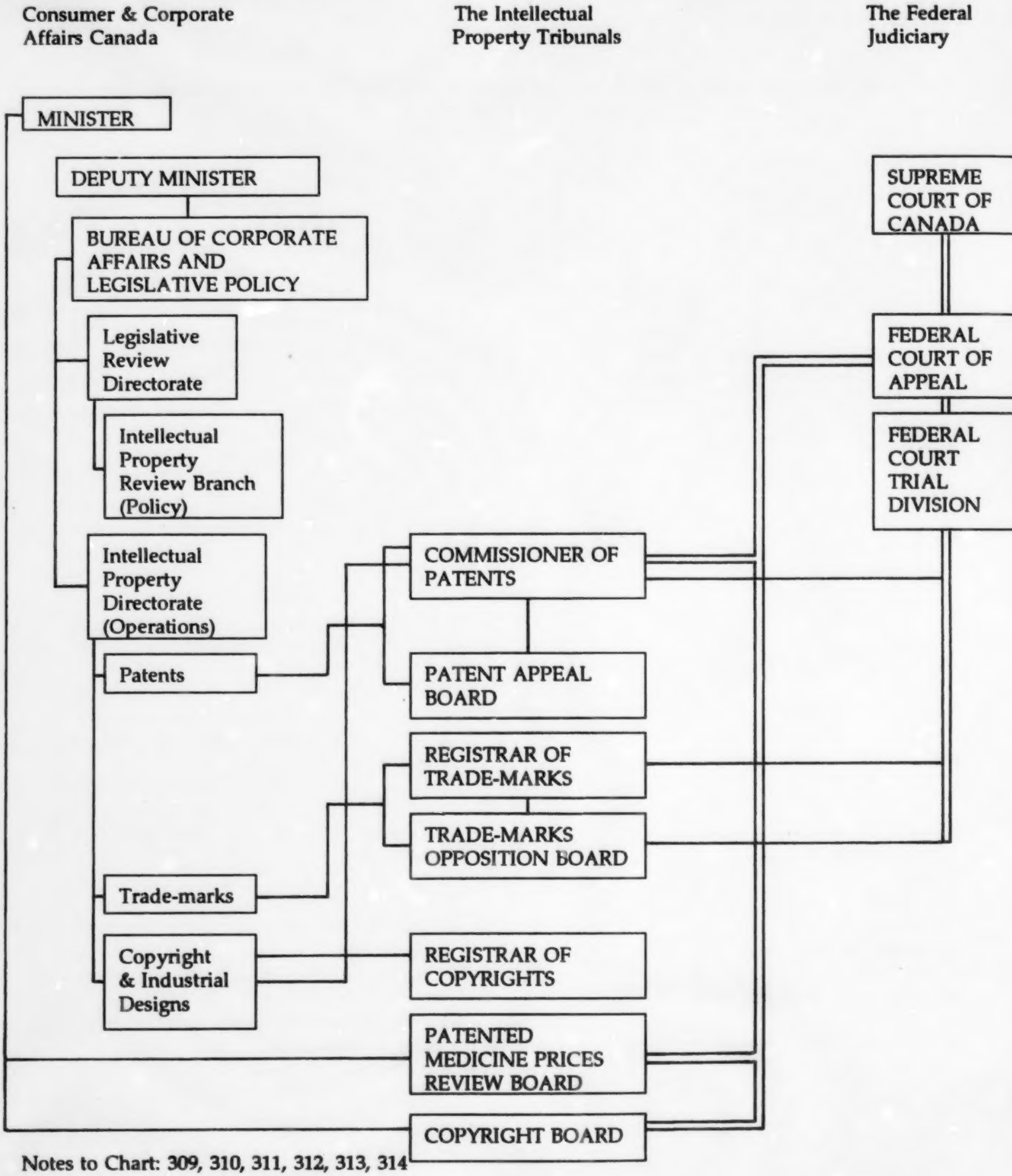

Discovery proceedings: depositions, interrogations, requests for the production of documents, requests for admissions
Discovery motions
Ruling
No appeal
Motion for summary judgment
Ruling
Appeal to CAFC (30 days)
Pre-trial hearing; list of witnesses and exhibits; length of trial; identify issues
Trial (issue of damages may be severed)
if trial before judge
if trial before jury
Judgment by the trial court
Jury Verdict
Motion for new trial (10 days)
Jury Verdict
Motion for judgment *non obstante verdicto* or for new trial (10 days)

TABLE 20

THE GENERAL SCHEME OF IP LITIGATION IN CANADA: CONSUMER & CORPORATE AFFAIRS CANADA, EXISTING IP TRIBUNALS AND THE COURTS


Consumer & Corporate Affairs Canada
The Intellectual Property Tribunals
The Federal Judiciary
MINISTER
DEPUTY MINISTER
BUREAU OF CORPORATE AFFAIRS AND LEGISLATIVE POLICY
Legislative Review Directorate
Intellectual Property Review Branch (Policy)
Intellectual Property Directorate (Operations)
Patents
Trade-marks
Copyright & Industrial Designs
COMMISSIONER OF PATENTS
PATENT APPEAL BOARD
REGISTRAR OF TRADE-MARKS
TRADE-MARKS OPPOSITION BOARD
REGISTRAR OF COPYRIGHTS
PATENTED MEDICINE PRICES REVIEW BOARD
COPYRIGHT BOARD
SUPREME COURT OF CANADA
FEDERAL COURT OF APPEAL
FEDERAL COURT TRIAL DIVISION

Notes to Chart: 309, 310, 311, 312, 313, 314

NOTES

1. There are, of course, provisions relating to unfair competition in s. 7 of the *Trade Marks Act*. However, to the extent they deal with unfair competition not part of the regulatory regime of the *Trade-marks Act*, aspects of their constitutional validity may be in question. See *Macdonald et al v. Vapour Canada Ltd.*, [1977] 2 S.C.R. 134; *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*, [1987] 3 F.C.R. 544 (F.C.A.), 14 C.P.R. (3d) 314 (F.C.A.); 16 C.P.R. (3d) 112.

2. *Plant Breeders' Rights Act* (Bill C-15), S.C. 1990, c. 20 and the *Integrated Circuit Topography Act*, (Bill C-57), S.C. 1990, c. 37.

3. Royal Commission on Patents, Copyright and Industrial Designs, Report on Copyright, Queen's Printer, Ottawa, 1957, at 7.

4. The *Patent Act*, R.S.C. 1985, c. P-4 was amended in 1987 by R.S.C. *An Act to Amend the Patent Act and to Provide for Certain Matters in Relation Thereto*, R.S.C. 1985, c. 33 (3rd Supp.). The amendments pertaining to first to file came into effect on October 1, 1989.

5. For example, certain problems raised in *CAPAC v. CTV Television Network* (1968), 55 C.P.R. 132 (S.C.C.) remain unsolved, despite recent legislation dealing with the very issues in question. See *CTV Television Network Ltd. v. Copyright Board (Can.) et al.*, (FCTD) per Cullen, J., [1990] F.C. 489.

6. *Pioneer Hi-Bred Ltd. v. Commissioner of Patents* (1989), 25 C.P.R. (3d) 257 (S.C.C.).

7. *Canadian Admiral Corp. v. Rediffusion Inc.* (1954), 20 C.P.R. 75.

8. *Canadian Admiral Corp. v. Rediffusion Inc.* (1954), 20 C.P.R. 75 and *CAPAC v CTV Television Network Ltd* (1968), 55 C.P.R. 132, and *CTV Television Network Ltd.v. Copyright Board, supra*, note 5. See also *Ottawa Cablevision Ltd. et al. v. Bell Canada* (1973), C.T.C. 522, (1974), 1 F.C. 273; Transvision Magog Inc. v Bell Canada (1975), C.T.C. 463; *Bell Canada v. Challenge Communications Limited* (1979), 1 F.C. 857.

9. J. Osborne, "Comments on Proposed Draft Legislation Prepared by the Canadian Trade-mark Law Revision Committee" (1952), 15 C.P.R. 1; (1953), 18 C.P.R. 2, Report of the Trade-mark Law Revision Committee, January 20, 1953, Queen's Printer, Ottawa, 1953, as also printed in Fox, H.G., *Canadian Law of Trade Marks*, 2nd edition, 1956, at 1142.

10. *Bowden Wire Ltd. v. Bowden Brake Co. Ltd.* (1914), 31 R.P.C. 335.

11. *Dubiner v. Cheerio Toys and Games Ltd.*, [1965] 1 Ex. C.R. 524, *Wilkinson Sword Canada Ltd. v. Juda*, [1968] 2 Ex. C.R. 137, *Breck's Sporting Goods Co. Ltd. v. Magder*, [1976] 1 S.C.R. 527, *Seiko Time Canada Ltd. v. Consumers Distributing Co. Ltd.*, [1984] 1 S.C.R. 583.

12. *Canadian General Electric Co. Ltd. v. Fada Radio Ltd.* [1927] Ex. C.R. 134, [1930] A.C. 97.

13. *Rice v. Christiani*, [1930] S.C.R. 443, [1931] A.C. 770 (P.C.).

14. *Western Electric Co. and Northern Electric Co. v. Baldwin International Radio of Canada*, [1933] Ex. C.R. 13, [1934] Ex. C.R. 132, [1934] S.C.R. 94.

15. *Coca-Cola Co. of Canada Ltd. v. Pepsi Cola Co. of Canada Ltd.*, [1938] Ex. C.R. 263; [1940] S.C.R. 17.

16. Canada has made two submissions to GATT on Trade Related Intellectual Property Rights (TRIPs). The first submission, dated September 5, 1989, was directed to the enforcement of intellectual property rights. The second submission, dated October 16, 1989, related to standards for Trade-Related Intellectual Property Rights. Generally speaking, Canada supports a balanced position on each issue. Canada, in its first submission, proposed that GATT standards should facilitate and encourage non-infringing trade. The standards should reduce distortions and impediments to international trade, be adequate in balancing relevant interests, facilitate the contribution of trade to innovation, research, and development and the transfer and use of technology. Canada, in its second submission, proposed that procedures for enforcement of intellectual property rights be prompt, fair, and equitable and open to public scrutiny. Canada stated that the procedures should provide for reasonable notice of the commencement of proceedings, adequate opportunity to prepare one's case, effective means to present evidence and communicate one's views, compensation for abuse of procedures, reasoned decisions and judicial review. Canada accepted that immediate internal and border relief be available against the importation of counterfeit and pirated goods.

17. *Ungar v. Sugg* (1892), 9 R.P.C. 113 at 116 per Lord Esher, M.R.

18. William L. Hayhurst, "Lord Esher, A No Nonsense Judge", 15 The Law Society Gazette #3, at 285 (September, 1981).

19. *Van der Lely (C.) N.V. v. Bamfords Ltd.* (1961), R.P.C. 296 (C.A.).

20. See *Lyle Giffin v. Canstar Sports Group Inc.* (1990), 30 C.P.R. (3d) 228 at 241.

21. See O. Reg. 560/84 Rule 52.03 and Federal Court Rule 492.

22. *International Business Machines Corporation v. Fujitsu Limited*, (1985) 2 International Arbitration Reports 627. (American Arbitration Association Commercial Arbitration Tribunal).

23. Two others appear to be imminent at the time of writing,namely the *Integrated Circuit Topography Act* (Bill C-57), S.C. 1990, c. 37 and the *Plant Breeders' Rights Act* (Bill C-15), S.C. 1990, c. 20.

24. L. A. Audette, K. C., *Practice of the Exchequer Court of Canada*, Ottawa, 1909, at 65.

25. Gordon Asher, "Development of the Patent System" (1965), 43 C.P.R. 56 at 65.

26. The three earliest Federal patent decisions in Canada are found in Appendix 2, (1892) 2 Ex. C.R. 455. Previously, jurisdiction had been in the provinces.

27. See also 53 Victoria c. 12 wherein a more limited jurisdiction was granted in 1891.

28. See *Quebec North Shore Paper v. Canadian Pacific*, [1977] 2 S.C.R. 1054. See also *McNamara Construction (Western) Ltd. v. The Queen*, [1977] 2 S.C.R. 654.

29. See *General Foods v. Struthers*, [1974] S.C.R. 98 regarding the issues of forum shopping, *in rem v. inter partes*, and patent validity.

30. See s. 20 of the *Federal Court Act*. The bifurcated jurisdiction issue has been recently clarified in the case of *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.*, [1987] 3 F.C.R. 544, 14 C.P.R. (3d) 314, 16 C.P.R. (3d) 112.

31. (1987), 14 C.P.R. (3d) 314.

32. The classic passing off action requires proof of five elements. See *Warnink (Erven) v. Townend*, [1979] A.C. 731, [1979] 2 All. E.R. 927 (H.L.).

33. See *General Foods v. Struthers*, [1974] S.C.R. 98.

34. *Formea Chemical Ltd. v. Polymer Corp. Ltd.*, [1968] S.C.R. 754.

35. Audette, op.cit., note 24 at 42-43.

36. *American Cyanamid v. Ethicon*, [1975] A.C. 396 (H.L.).

37. (1989), 2 F.C. 451.

38. (1977), 17 O.R. (2d) 505.

39. See *General Foods v. Struthers*, [1974] S.C.R. 98; *Sno-jet Ltd. v. Bombardier Ltée* (1975), 22 C.P.R. (2d) 224 at 231.

40. *Amchem Products Inc. et al. v. British Columbia (Workers' Compensation Board)* (1989), 65 D.L.R. (4th) 567; *Reading and Bates Construction Co. v. Gaz Inter-Cité Québec Inc.* (1984), 2 C.P.R. (3d) 266 at 269.

41. See brief entitled A Proposal for Merger of the Federal Court of Canada into the Provincial Superior Courts, submitted by the Honourable Bud Smith, Q.C., Attorney General of British Columbia, August 1989.

42. *Ibid.* at 43-44.

43. *Ibid.* at 44.

44. *Quebec North Shore Paper Co. v. C.P. Ltd.*, [1977] S.C.R. 1054.

45. W. Shakespeare, *Romeo and Juliet*, Act II, Scene II, Lines 43-44.

46. S. 337 of the *Trade and Tariff Act* of 1930, as am., 19 U.S.C. 1337.

47. Please see data in the Appendix.

48. One could consider a voluntary "poll" of PTIC and CBA members with a suitable questionnaire. However, this would be no easy task.

49. Oulton Report on Patent Litigation, Govt. of England, Feb. 2, 1987; *A Guide to the Patents County Court in England* Messrs. Simms & Simms, Nov. 1990; E. Pakuscher, "The Federal Patent Court of the Federal Republic of Germany in light of the European Patent Conventions", 8 P.T.I.C. Bulletin, Vol. 13 (April, 1982).

50. Mme Justice Barbara Reed, Some Thoughts On The Question: Are Courts Of General Jurisdiction The Proper Forum For Cases Involving Computer Technology, Or Should Such Cases Be Directed To A Court Which Deals With Technical Cases On A Regular Basis?, paper delivered to the Computer Law Association Meeting in San Francisco on October 26-27, 1989.

51. Harold G. Fox, President's Address to the Patent Institute of Canada, Patent Institute Report of Proceedings, Ottawa, 1939, 10 at 15.

52. Fox, op. cit., at 14.

53. See Appendix, Table 5.

54. *Federal Court Act*, R.S.C. 1985, c. F-7, as am., s. 49.

55. Joseph Day, "Commercial Arbitration in Intellectual Property Matters", 25 C.P.R. (3d) 145. See also *Commercial Arbitration Act*, S.C. 1986, c. 22 and *United Nations Foreign Arbitral Awards Convention Act*, S.C. 1986, c. 21.

56. Cited in G.F. Henderson, "Patent Litigation before the Canadian Courts", P.T.I.C. Bulletin, Series 7, Volume 15, December, 1965, 2 at 8.

57. See Gordon J. Zimmerman, "An Expert Patent Court for Canada", Patent And Trade-mark Institute of Canada Review, [1987] C.I.P.R. 444.

58. *Parke, Davis & Co. v. Fine Chemicals of Canada Ltd.*, [1959] S.C.R. 219 is an example of a compulsory licence case reaching the Supreme Court of Canada and *Monsanto Co. v. Commissioner of Patents*, [1979] 2 S.C.R. 1108 is an example of an appeal from the Commissioner reaching that Court.

59. See W. Hayhurst, "Grounds for Invalidating Patents", 18 C.P.R. (2d) 222.

60. Federal Court Rule 447.

61. Federal Court Rule 448.

62. The Federal Court of Canada, A Manual of Practice, 1971, c. 15.

63. G.A. Macklin, "Developing Trends in Patent Litigation: What Does the Future Hold?" (1990), 6 C.I.P.R. 208.

64. Other than, or course, in the case of an *Anton Piller* or *Mareva* injunction. But neither of these remedies can be countenanced for "fishing" purposes.

65. See *MacDonald et al. v. British Columbia Forest Products* (1982), 70 C.P.R. (2d) 239; *Levi Strauss v. Lois Canada Inc.* (1982), 16 C.P.R. (3d) 287; *Proctor and Gamble v. Kimberly-Clark* (1989), 24 C.P.R. (3d) 185.

66. See Macklin, op. cit.

67. Federal Court Rule 465(5) provides as follows:

> "The assignor of a patent on invention, copyright, trade mark, industrial design or any property right or interest may be examined for discovery by any party who is adverse to an assignee thereof. (Where the context so permits, a reference in this Rule to an individual to be questioned or to an individual being questioned includes such an assignor)."

68. (1981), 55 C.P.R. (2d) 108.

69. These cases have been recently followed again in the Federal Court Trial Division. See *Nintendo of America Inc. v. Camerica Corp.* (1991), 34 C.P.R. (3d) 193.

70. See *Patent Act*, R.S.C. 1985, c. P-4 , s. 57, as am. and *Trade-marks Act*, R.S.C. 1985, c. T-13, s. 53.

71. *Eastman Kodak Company v. Polaroid Corporation* (U.S. Dist. Ct.), 641 F.Supp. 828; (U.S.C.A. (Fed. Cir.)), 833 F. 2d 930; 789 F. 2d 1556; 867 F. 2d 1415, 479 US 850; 109 S. Ct. 1956.

72. *Penzoil v. Texaco*, 473 A. 2d 358; 482 A. 2d 766; 729 S.W. 2d 768; 626 F.Supp. 250; 756 F.Supp. 166; 784 F.2d 1133; 106 S.Ct. 3270; 107 S.Ct. 1519; 108 S.Ct. 1304; 485 U.S. 994.

73. *Proctor & Gamble Co. et al. v. Kimberly-Clark of Canada Ltd.* (1989), 24 C.P.R. (3d) 185 per Muldoon, J. with respect to Federal Court Rule 480, February 21, 1989.

74. G. A. Macklin, op. cit., at 209.

75. *Ibid.*

76. Proposals from various County Law Associations , including those of Algoma, Essex and York have been submitted to the Attorney General of Ontario.

77. See *NutraSweet v. Director of Investigation and Research* (1989), 27 C.P.R. (3d) 449.

78. See *Federal Court Act*, s. 28(4). One cannot help but wonder whether this provision could be used to resolve in a more expeditious manner some of the currently outstanding constitutional issues involving the *Competition Act*. See also *Northern Telecom v. Communication Workers*, [1983] 1 S.C.R. 733 re determination of constitutional issues.

79. See *Northern Telecom v. Communication Workers of Canada*, [1983] 1. S.C.R. 733; *Rf. Re Public Service Staff Relations Act*, [1973] F.C. 604; *Re Postal Service Continuation Act* (1989), 59 D.L.R. (4th) 234.

80. See *Supreme Court Act*, R.S.C. 1985, c. S-26, s. 53(1); *Re Anti-Inflation Act*, [1976] 2 S.C.R. 373.

81. Ontario Rules of Civil Procedure, R. 37.15(1). Reg. 560/84, as am. O.Reg. 711/89, s. 31.

82. Joan Clark, "Intellectual Property Litigation in Canada" (1987), 4 C.I.P.R. 68.

83. Macklin, op.cit. at 212 ff. See also Appendix.

84. See Federal Court Rule 341.

85. *R. v. Gary Bowl Ltd.*, [1974] 2 F.C. 146 (C.A.). See also *Flexi-coil Ltd. v. F. P. Bourgault Air Seeder Division Ltd.* (1990), 31 C.P.R. (3d) 529, 36 F.T.R. 149 (T.D.).

86. See *Diamond Shamrock Corp. v. Hooker Chemicals and Plastics Corp.* (1982), 66 C.P. R. (2d) 145 (F.C.T.D.).

87. *Pizza Pizza Ltd. v. Gillespie* (1990), 75 O.R. (2d) 223.

88. *Vaughn v. Warner Communications Inc.*, [1986] 15 O.R. (2d) 242.

89. *Avery v. Value Investment Corporation* (1990), 21 A.C.W.S. (3d) 488 (Ont. H.C.), referred to in *Pizza Pizza v. Gillespie, supra*, May 25, 1990 per Farley, J.

90. See also *Webb and Knapp v. City of Edmonton* (1970), 63 C.P.R. 21.

91. We are starting to see large scale copyright lawsuits as well. See, for example, *Nec Corporation v. Intel Corporation*, 645 F. Supp. 590; 1 U.S.P.Q. 2d 1492, (1986). *Apple Computer Inc. v. Microsoft Corporation*, 717 F. Supp. 1428, (1989).

92. *A.G. Canada v. Law Society of B.C. Sub. nom. (Jabour v. Law Soc. B.C.)*, [1982] 2 S.C.R. 307.

93. It is unusual, but not unheard of, for the lawyer's bill to be less than that ultimately taxed by the court. See *Formea Chemical Ltd. v. Polymer Corp. Ltd.*, [1967] 2 O.R. 424. Costs are awarded as an indemnity. Therefore, costs cannot be taxed against the losing party if not actually charged, or if greater than the amount actually charged.

94. For example, see Federal Court Rule 346 and similar provisions in provincial Judicature Acts.

95. *Re Solicitor*, [1972] 3 O.R. 433 and *Re Cohen and Kealey and Blaney* (1988), 26 C.P.C. (2d) 436. Matters to be considered included time expended, legal complexity and monetary value of the matters in issue, the degree of responsibility assumed, the skill and competence demonstrated by the solicitor, the results achieved, the importance of the matter to the client, the client's ability to pay and the reasonable expectation of the client as to the amount of the fee.

96. Watson, G.D., *Canadian Civil Procedure, Cases and Materials*, 3d ed., (Edmond Montgomery Publications Limited: Toronto, 1988); Pfenningstorf, W.F. *Legal Expense Insurance: The European Experience in Financing Legal Services*, (American Bar Foundation: 1975); Wydrzynski, C.J., "The Development of Prepaid Legal Services in Canada", in R. Evans and M. Trebilcock, *Lawyers and the Consumer Interest* (1982) 199; Fletcher, R.W., Jaffray, E.A., "Legal Expense Insurance Coverage for the Cost of Infringement Litigation", The Advocates Journal, February, 1989.

97. Recent cases show that prolonged resistance by a defendant who refuses or neglects to obtain a license when required by law can be very expensive.

98. H.G. Fox, President's Address, (Ottawa: Patent Institute of Canada, Report of Proceedings, Fourteenth Annual Meeting, 1939) 10 at 14.

99. See D. Bereskin, "The Canada-United States Free Trade Agreement Are Trademarks a Barrier to Free Trade?" (1990), T.M.R. 272.

100. *Cheerio Toys and Games Ltd. v. Dubiner*, [1966] S.C.R. 206, 48 C.P.R. 226; *Breck's Sporting Goods Co. Ltd. v. Magder*, [1976] 1 S.C.R. 527, 17 C.P.R. (2d) 201; *Wilkinson Sword (Canada) Ltd. v. Juda*, [1968] 2 Ex. C.R. 137, 51 C.P.R. 55; *Consumers Distributing Co. Ltd. v. Seiko Time Canada Ltd.*, [1984] 1 S.C.R. 583, 1 C.P.R. (3d) 1; H. P. Knopf, "More Shades of Grey Marketing Law", 1 I.P.J 337.

101. Mme Justice Reed, op.cit., at 17 citing E.C. Keating, *Royal Commission of the Courts Report* (Wellington, New Zealand: Government Printer, 1978) at 94.

102. *A Guide to the Patents County Court in England,* Messrs. Simmons & Simmons, Nov. 1990; Outline Report on Patent Litigation, Court of England, Feb. 2, 1987.

103. See a review of the CAFC by Chief Judge Howard T. Markey, "The First Two Thousand Days, Report of the U.S. Court of Appeals for the Federal Circuit", v. 38, P.T.C.J. 179, June 15, 1989. See also M. N. Meller, ed., *Court of Appeals Federal Circuit: Its First Six Years,* collection of articles, (1988), 29 I.D.E.A. 193 - 376; D.R. Dunner, ed., "The United States Court of Appeals for the Federal Circuit: Its first Three Years" (1985), 13 A.I.P.L.A. Quar. J. 185.

104. (1990), 1 F.C.R. ii.

105. See *British Celanese Ltd. v. Courtaulds Ltd.* (1935), 52 R.P.C. 171 (H. L.).

106. Experts can now testify as to the ultimate issue. See *R. v. Graat*, [1982] 2 S.C.R. 819, *Ruckers v. Gravel*, 7 C.P.R. (3d) 294, *Beloit Canada Ltd. v. Valmet Oy Ltd.* (1986), 8 C.P.R. (3d), 289, *Xerox v. IBM* (1977), 33 C.P.R. (2d) 24, *R. v. Abby*, [1982] 2 S.C.R. 24 at 42 and G.F. Henderson article (1986), 10 C.P.R. (3d) 321.

107. See *Beloit Canada Ltd. v. Valmet Oy Ltd.* (1986), 8 C.P.R. (3d) 289 at 295.

108. *Unipak Cartons Ltd. v. Crown-Zellerbach Ltd.* (1960), 33 C.P.R. 1.

109. *Leadbeater v. Kitchen* (1898), 7. R.P.C. 235 as cited by W. Hayhurst in "Lord Esher, A No nonsense Judge", The Law Society Gazette, September, 1981, 285 at 297.

110. See *King, Brown and Co. v. The Anglo-American Brick Corporation* (1892), IX R.P.C. 313 and *Beloit Canada Ltd. v. Valmet Oy Ltd.* (1986), 8 C.P.R. (3d) 289 at 294.

111. See *Scragg v. Leesona* (1964), Ex. C.R. 649.

112. See *Apple v. Mackintosh*, [1988] 18 C.P.R. (3d) 129 (F.C.A.), affm'd (1990), 110 N.R. 66 (S.C.C.).

113. It is interesting to note that in an early patent case, an English judge, Pearson, J., of his own motion, where the evidence was conflicting, put certain questions to one Professor Roscoe, "an impartial gentleman of great scientific attainments" who was to make a report after performing certain requested experiments to determine if a secret process infringed the patent in suit. See *Badische Anilin und Soda Fabrik v. Levinstein* (1883), 52 L.J. Ch. 704.

114. *Consolidated Bathurst Packaging Ltd. v. International Woodworkers of America and Ontario Labour Relations Board,* [1990] 1 S.C.R. 282. see also *Fetherstonhaugh v. Grunevon,* [1972] 1 O.R. 490 which shows that all parties can have access to all documents seen or used by experts.

115. See *Egmont Towing and Sorting Ltd. v. The Ship "Telendos",* [1982] 43 N.R. 147 (F.C.A.). For use of experts in other types of cases, see *Richardson v. Redpath, Brown and Company Limited* (1944), A.C. 63 (H. L.), a workers' compensation case, *Regional Trust v. Canada,* [1987] 2 F.C. 271 (insurance), and *Phillips v. Ford Motor Co. of Canada Ltd.,* [1971] 18 D.L.R. (3d) 641.

116. *Supra,* note 50.

117. *Alex Couture Inc. et al. v. Attorney General of Canada, Competition Tribunal, Director of Investigation and Research,* [1990] R.J.Q. 2669 (Que. S.C.).

118. For other material on experts, see *Macdonald Electric v. Cochrane* (1955), O.W.N. 244; *Richard v. Grey Coach* (1950), O.W.N. 136; *Phillips v. Ford Motor Co.,* [1971] 2 O.R. 637.

119. *Patent Act,* R.S.C. 1985, as am. c. P-4, ss. 65 ff.

120. *Bankruptcy Act,* R.S.C. 1985, c. B-3, ss. 82-83.

121. See *Bills of Exchange Act,* R.S.C. 1985, c. B-4, ss. 13-15. See also Falconbridge, *Canadian Banking and Bills of Exchange,* 2d. ed. 9.453. The section originated in R.S. 1886, c.123, ss. 12 to 14 and was originally passed in 1884. See also *Johnson v. Martin* (1892), 19 O.A.R. 593 and *Craig v. Benjamin* (1894), 24 S.C.R. 278.

122. *Tobacco Products Control Act,* S.C. 1988, c. 20.

123. *Brick Warehouse Corp. v. Brick's Fine Furniture Ltd.* (1988), 25 C.P.R. (3d) 89.

124. *Plant Breeders' Rights Act* (Bill C-15), S.C. 1990, c. 20 and the *Integrated Circuit Topography Act,* (Bill C-57), S.C. 1990, c. 37.

125. *Lotus Development Corporation v. Paperback Software International et al.,* 740 F. Supp. 37 (US Dt. Ct. Mass. 1990).

126. *Smith, Kline and French Laboratories Ltd. v. A-G Canada, Commissioner of Patents,* [1987] 2 F.C.R. 359.

127. See *Trade Secrets,* Institute of Law Research and Reform, Edmonton, Alberta and A Federal Provincial Working Party, Report No. 46, July, 1986.

128. G.F. Henderson, "Trade Secrets" (1952), 16 C.P.R. 11.

129. *Crain v. Ashton* (1950), 11 C.P.R. 53.

130. *Lac Minerals Ltd. v. International Corona Resources Ltd.*, [1989] 2 S.C.R. 574.

131. *R. v. Stewart*, [1988] 1 S.C.R. 963, 21 C.P.R. (3d) 289.

132. *Morrison v. Moat* (1812), 9 Hare 255.

133. *R. v. Stewart, supra*, note 131.

134. *Lac Minerals Ltd. v. International Corona Resources Ltd.*, [1989] 2 S.C.R. 574.

135. *Polyresin Ltd. v. Stein-Hall Ltd. et al.* (1971), 5 C.P.R. (2d) 183, [1972] 2 O.R. 188.

136. *R. v. Stewart, supra*, note 131.

137. See Chapter IV above.

138. *Unipak Cartons Ltd. v. Crown-Zellerbach Ltd.* (1960), 33 C.P.R. 1.

139. *Lovell Manufacturing Ltd. v. Beatty Brothers* (1962), 41 C.P.R. 18 (Ex Ct.).

140. *Rubbermaid Canada Ltd. v. Tucker Plastics Ltd.* (1973), 8 C.P.R. (2d) 6.

141. *Blyth v. Blyth*, [1966] 1 All E.R. 524 at 535.

142. *Ernest Scragg and Sons Ltd. v. Leesona Corp.* (1964), 45 C.P.R. 1 at 76. Pratte, J. relied upon *Union Carbide Ltd. v. Trans Canadian Feeds Ltd. et al.* (1966), 49 C.P.R. 29 and *Circle Film Enterprises Inc. v. CBC* (1959), 19 Fox Pat. C. 39.

143. See *Gorse v. Upwardor Corp.* (1989), 25 C.P.R. (3d) 166.

144. *Dec International Inc. v. A.L. Lacombe & Associates Ltd.* (1990), 26 C.P.R. (3d) 193.

145. *Lovell v. Beatty, supra*, note 139.

146. W.L. Hayhurst, "Patent Infringement: Pith, Marrow, and Substance" (1987), 13 I.P.J. 341.

147. *Unipak v. Crown-Zellerbach, supra*, note 134.

148. See *Reichman v. Thierry; Catnic Components v. Hill and Smith*, [1981] F.S.R. 60. See also *McPhar Engineering Co. v. Sharpe Instruments Ltd.* (1960), 35 C.P.R. 105 at 165.

149. *Lotus v. Paperback, supra*, note 121.

150. The *Patent Act*, R.S.C. 1985, c. P-4 was amended in 1987 by *An Act to Amend the Patent Act and to Provide for Certain Matters in Relation Thereto*, R.S.C. 1985, c. 33 (3rd Supp.). The amendments pertaining to first to file came into effect on October 1, 1989.

151. *American Cyanamid v. Ethicon*, [1975] A.C. 396 (H. L.); *Turbo Resources v. Petro-Canada*, [1989] 2 F.C.R. 451, 24 C.P.R. (3d) 1; and *Yule Inc. v. Atlantic Pizza Delight (1968) Ltd.* (1977), 35 C.P.R. (2d) 273.

152. *Turbo Resources v. Petro Canada Ltd., supra*, note 151.

153. If I may be permitted a bit of license to go beyond my mandate, I would offer the observation that the gratuitous changing of the spelling of the term "Trade Mark" to "Trade-mark" in the 1985 statute consolidation exercise serves no significant purpose whatsoever, and is the one formulation of the word that is not used anywhere else. Some countries use "Trade mark" and others use "Trademark". At least our new Canadian formulation may have the advantage of being easy to remember since it is different from any other spelling.

154. See *Cheerio Toys and Games Ltd. v. Dubiner*, [1966] S.C.R. 206, 48 C.P.R. 226.

155. *Wilkinson Sword v. Juda*, [1968] 2 Ex.C.R. 137, *Breck's v. Magder* (1975), 17 C.P.R. (2d) 201 (S.C.C.), *Chalet Bar B Q (Canada) Inc. v. Foodcorp Ltd.* (1982), 66 C.P.R. (2d) 56 (F.C.A.).

156. *Bowden Wire Ltd. v. Bowden Brake Co. Ltd.* (1913), 30 R.P.C. 45; (1914), 31 R.P.C. 385; *Sinclair (John) Ltd.'s Trade Mark* (1932), 49 R.P.C. 123; *Pinto v. Badman* (1891), 8 R.P.C. 181.

157. See H. Knopf, "Trade Mark Law Revision: Update and Options", paper presented to the Patent and Trade Mark Institute of Canada Annual Meeting in Vancouver, B.C., (1987), 3 C.I.P.R. 352.

158. See R. Barrigar, A Proposal For Repeal of S. 49 (The Registered User Section) of the *Trade Marks Act* and the Enactment of Substitute Legislation, CCAC manuscript, 1987.

159. *Bowden Wire Ltd. v. Bowden Brake Company Ltd.* (1914), 31 R.P.C. 385 at 395.

160. *Anton Piller K.G. v. Manufacturing Processes Ltd.*, [1976] 1 All E.R. 779; *Nintendo of America Inc. v. Coinex Video Games Inc.*, [1983] 2 F.C. 189, 69 C.P.R. (2d) 122; *Culinar Foods Inc. v. Mario's Food Products Ltée* (1986), 12 C.P.R. (3d) 420.

161. See *Montres Rolex S.A. et al v. Minister of National Revenue* (1987), 17 C.P.R. (3d) 507 (F.C.T.D.). Also, *Montres Rolex S.A. v. Balshin, et al.* (1990), 29 C.P.R. (3d) 257.

162. *Insurance Corporation of British Columbia v. Registrar of Trade Marks*, [1980] 1 F.C. 669.

163. *Allied Corp. v. Canadian Olympic Association*, [1989] 26 C.I.P.R. 157, 28 C.P.R. (3d) 161, [1990] 1 F.C. 769 (C.A.).

164. H. Knopf, "Trade Mark Law Revision: Update and Options", paper presented to the Patent and Trade Mark Institute of Canada annual meeting in Vancouver, B.C., (1987) 3 C.I.P.R. 352.

165. See *Trade-marks Act*, R.S.C. 1985, c. T-13, s. 17(2).

166. *Brick Warehouse v. Brick's Fine Furniture, supra*, note 123.

167. See *R. v. Appleby* (1974), 18 C.P.R. (3d) 195 and s. 11 of the *National Library Act*, R.S.C. 1985, and *Criminal Code*, R.S.C. 1985, s. 126.

168. For many years, BMI Canada Ltd. (which became Performing Rights Organization of Canada Ltd.) maintained a collection of music representing its repertoire. This was turned over to Trent University in 1985.

169. *Canadian Admiral Corporation Ltd. v. Rediffusion Inc.* (1954), 20 C.P.R. 75.

170. *CAPAC v. CTV Television Network Ltd.*, [1968] S.C.R. 676, 55 C.P.R. 132.

171. *CTV Television Network Ltd. v. Copyright Board*, [1990] 3 F.C. 489; 34 F.T.R. 142 (T.D.). Since this case is *sub judice* and my firm is acting on behalf of CAPAC (now SOCAN), it would be prudent not to comment any more than is necessary to make the point.

172. *Bishop v. Télémetropole* (1990), 72 D.L.R. (4th) 97 (S.C.C.).

173. See *Bayliner Marine Corp. v. Doral Boats Ltd.* (1987), 15 C.P.R. (3d) 201.

174. The issues have been well developed in an article by G. Snow in Law Reports. (1982), 64 C.P.R. (2d) 49.

175. *Clatworthy & Son Ltd. v. Dale Display Features Ltd.*, [1928] Ex.C.R. 159 at 162, affm'd, [1929] S.C.R. 429. See also *Kaufman Rubber Co. v. Miner Rubber Co.*, [1926] Ex.C.R. 26, *William Rodgers Ltd. v. International Silver Co. of Canada*, [1932] Ex.C.R. 63; *Renwal Manufacturing Co. Inc. v. Reliable Toy Co. Ltd.* (1949), 9 C.P.R. 67; *Allaire v. Hobbs Glass Ltd.*, [1948] Ex.C.R. 171; *Angelstone Ltd. v. Artistic Stone* (1960), 33 C.P.R. 206; *Cimon Ltd. v. Bench Made Furniture* (1967) 48 C.P.R. 31.

176. *Copyright Act*, R.S.C. 1985, as am. s. 41.

177. *Industrial Design Act*, R.S.C. 1970, as am. s. 18.

178. *Mastini v. Bell Telephone Co. of Canada* (1971), 1 C.P.R. (2d) 1.

179. *Leesona Corporation v. Consolidated Textile Mills Ltd.* (1978), 35 C.P.R. (2d) 254.

180. See also R. Barrigar, "The Time Limitations on Dominion Statutory Causes of Action" (1964), 40 C.P.R. 82.

181. See *Domco Industries v. Armstrong Cork Canada Ltd.* (1980), 4 C.P.R. (2d) 1 (F.C.T.D.); (1984), 76 C.P.R. (2d) 70, [1982] S.C.R. 907, (1983) 66 C.P.R. (2d) 46.

182. See *Patent Act*, R.S.C. 1985, c. P-4, as am. s. 55(2).

183. See *Fiberglas Canada Ltd. v. Spun Rock Wools Ltd.*, [1943] S.C.R. 547.

184. "In any action for infringement of a patent, the court, or any judge thereof, may, on the application of the plaintiff or defendant, make such order as the court or judge sees fit,

> (a) restraining or enjoining the opposite party from further use, manufacture or sale of the subject-matter of the patent, and for his punishment in the event of disobedience of that order, or
>
> (b) for and respecting inspection or account,

and generally, respecting the proceedings in the action.

185. See *Terrell on Patents*, 13th ed., London, (1982) para. 14.158.

186. See *R.W. Blacktop Ltd. v. Artec Equipment Co. Ltd.* (1990), 31 C.P.R. (3d) 484 (F.C.T.D.) Teitelbaum, J. See also *Diamond Shamrock Corporation v. Hooker Chemicals and Plastics Corp.* (1982), 66 C.P.R. (2d) 145. See also *Beloit Canada v. Valmet Oy* (1986), 9 C.P.R. (3d) 418.

187. *Burns & Russell of Canada v. Day and Campbell Ltd.* (1967), 48 C.P.R. 207.

188. *Wildeman v. F.W. Berk & Co. Ltd.* (1925), 42 R.P.C. 79 at 90; *Ellis v. Torrington* (1920), 1 K.B. 399. See also G.F. Henderson, "Assignment of Patents" (1970), 60 C.P.R. 237 at 251.

189. See *Hassenfeld Bros. Inc. v. Parkdale Novelty Co. Ltd.* [1967] Ex. C.R. 277 and *Ashton Potter Ltd. v. White Rose Nursery* [1972] F.C. 689 and s. 50(4) of the *Trade-marks Act* which explicit.

190. *Trainer Surveys (1974) Ltd. v. New Brunswick* (1990), 2 F.C. 168.

191. (1990), 29 C.P.R. (3d) 505.

192. *Formea v. Polymer* (1968), 55 C.P.R. 38.

193. *Slater v. R. Payer* (1968), 55 C.P.R. 6l.

194. R.S.C. 1985, c. I-21.

195. *AMP of Canada Ltd. v. The Queen* (1987), 1 C.T.C. 256, 87 D.T.C. 5157; but, see *A. G. of Canada v. Smith, Kline & French Laboratories Ltd. et al.* (1989), 24 C.P.R. (3d) 484, and *Director of Investigation v. NutraSweet*, footnote 28 at page 61 per Teitelbaum, J. now reported (1991), 32 C.P.R. (3d) 1 (*Sub nom: Canada Director of Investigation v. NutraSweet Co.*).

196. See *Russell on Arbitration*, 19th ed., at 420; McLaren and Palmer, *Commercial Arbitration*, (Toronto: Carswell, 1982).

197. *Beckman Instruments Inc. v. Technical Development Corp. et al.*, 433 F. 2d 55 (1970) certiorari denied 401 U.S. 976; and *American Safety Equipment Corp. v. J.P. Macguire & Co. Inc.*, 391 F. 2d 821 (1968); see G.F. Henderson, "Arbitration and Transfer of Patents, Know-how, Trade Marks, and Other Rights, With the View of Promoting Industrial Co-operation: The Viewpoint from Anglo-American Countries", 29 C.P.R. (2d) 216 (Oral presentation of G.F. Henderson at the International Council on Commercial Arbitration Seminar, Vienna, September 30, 1976.

198. Title IX of the *Judicial Improvements and Access to Justice Act*, Pub. L. No. 100-702, 102 Stat. 4642 (1988) [codified at scattered sections of 28 U.S.C.] amends Title 28 of the United States Code and inserts an entirely new chapter: "Chapter 44: Arbitration". Title IX also contains an automatic repeal of the entire chapter effective November 19, 1993. With these amendments, it is now possible for a copyright or even a patent case to be referred to mandatory arbitration. More particularly, 28 U.S.C. 652(a)(1)(B) empowers the initially designated courts to refer any civil action to arbitration, even in the face of the parties' opposition, if the relief sought in the case is limited to money damages less than $100,000, exclusive of interest and costs: "The Judicial Improvements and Access to Justice Act: New Patent Venue, Mandatory Arbitration and More", (1990), 5 High Technology L.J. 2.

199. See US *Patent Arbitration Act* Pub. L. 97-247, s. 17(b)(1), August 27, 1982. 96 Stat. 322; *Patent Law Amendments Act*, 1984 (H.R. 6286); P.L. 98-6220 - 35 U.S.C. S. 135; *Semiconductor Chip Protection Act*, 1984, (H.R. 6163); P.L. 98-620, 17 U.S.C. S. 901 et seq.

200. Smit, Pechota, eds. *World Arbitration Reporter*, (London: Butterworths, 1987), (Loose-leaf): Chapter re. Canada by W.S. Dorman.

201. J.A. Day, "Commercial Arbitration in Intellectual Property Matters" (1989), 25 C.P.R. 145 at 151.

202. June, 1985.

203. Ontario and Saskatchewan were the last of the provinces to enact adopting the Model Law in June of 1988.

204. Edwin A. Robinson, C.J., U.S. Dist. Ct. (Northern District of Illinois) has written: "We have an old, tried system, arbitration, that is not being utilized enough. I urge imaginative and thoughtful members of the bar and the judiciary to develop new and innovative means for employing this useful tool." Following his own advice, in a first action of its kind, he amended the rules of the court to promulgate Rule 24 of the Civil Rules which states:

> "Arbitration: the parties to a civil action may stipulate, subject to the approval of the court, for submission of the controversy or particular issues therein, to arbitration"

See: H. Goldsmith, "Addendum: Patent, Trademark and Copyright Arbitration Guide", [1975] I.D.E.A. 29 at 37.

205. *Prometheus Product Development Corp. v. Jensen*, [1990] B.C.J. No. 2626.

206. See, e.g. *Re Int. Ry. and Niagara Parks Commission*, [1936] 2 D.L.R. 405 (Ont. C.A.); see also R.H. McLaren, *The Law and Practice of Commercial Arbitration*, (Toronto: Carswell, 1982).

207. R.L. Johnston, "The IBM-Fujitsu Arbitration Revisited - A Case Study in Effective ADR" (1990), 7 The Computer Lawyer 13; A.L. Clapes, *Software, Copyright and Competition: The "Look and Feel of the Law"*, (New York: Quorum Books, 1990); R. Raysman & P. Brown, "New Ruling in IBM-Fujitsu Arbitration", N.Y.L.J., Dec. 1988.

208. Burger, C.J. U.S.S.Ct., address to ABA Conference, ABA Association Journal, June 1976; see also Burger, C.J., "Isn't There a Better Way", annual report on the state of the Judiciary, (1982) 28 A.B.A.J.

209. *Director of Investigation and Research v. The NutraSweet Company* (1991), 32 C.P.R. (3d) 1. The Tribunal recognized that technology and proprietary technology protected by trade secrecy can be an impediment to entry into a market.

210. See Canada's submission to GATT Uruguay Round entitled Proposals on Enforcement dated September 5, 1989, GATT Document W/42.

211. Business persons should also be aware of the existence of certain labelling and marking statutory instruments, such as the *Customs Tariff*, S.C. 1987, c. 49, Marking of Imported goods Regulations C.R.C. 1978, c. 535, as amended by SOR/85 - 837, and the MArking of Importee Goods Order, (P.C. 1983-1775). See also the *Consumer Packaging and Labelling Act*, R.S.C. 1985, c. C-38, the *Textile Labelling Act*, R.S.C. 1985, c. T-10, the *Precious Metals Marking Act*, R.S.C. 1985, c. P-19, the *Food and Drugs Act*, R.S.C. 1985, c. F-27.

212. See H. Knopf, "*Seiko v. Consumers Distributing*: More Shades of Grey Marketing Law" (1985), 1 I.P.J. 337.

213. *Betts v. Wilmott* (1871), 6 Ch. App. 239.

214. See R. Barrigar, "Grey Marketing in Canada: The Seiko Case" (1985), 1 I.P.J. 109; H. Knopf, "*Seiko v. Consumers Distributing*: More Shades of Grey Marketing Law", (1985) 1 I.P.J. 337, D. Bereskin, "The Canada-USA Free Trade Agreement: Are Trademarks a Barrier to Free Trade" (1990), 80 T.M.R. 272 articles. The recent interlocutory injunction in *Mattel Canada Inc. v. GTS Acquisitions* (1990), 27 C.P.R. (3d) 358 discussed by Bereskin, marks a potential departure from past decisions, although at this point its precedential status is far from certain. It would appear that certain issues may not have been fully taken into account in this judgment. An interesting analysis of the exhaustion issue, especially with respect to patent and copyright law can be found in Working Paper on Intellectual Property Rights and International Market Segmentation: Implication of the Exhaustion Principle by R. Anderson, P. Hughes, S. Khasla, and M. Ranayre, Bureau of Competition Policy, CCAC, monegraph, October 1990.

215. See for example *Robert C. Wian Enterprises Inc. v. Mady* (1965), 46 C.P.R. 147 on the one hand, and *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd.* (1985), 5 C.P.R. (3d) 433 on the other hand.

216. For a brief history of the origin of this policy, see Howard Knopf, "New Forums and Fora of Intellectual Property Law" (1988), 5 C.I.P.R. 247.

217. See G.F. Henderson, "Canadian Copyright Law in the Context of American-Canadian Relations" (1978), 35 C.P.R. (2d) 67 at 78. wherein the author argued that s. 28(2) of the *Copyright Act* (now s. 44) could be construed in such a way that US publishers could not rely on simultaneous publishing in Canada to meet Berne Convention requirements prior to that country's recent accession to Berne.

218. *Betts v. Wilmott*, [1871] Ch. App. 239. In another leading early case, it was held that a license to manufacture a patented article in Belgium did not give the licensee a right to sell the article in England. See "Societé Anonyme des Manufacturers de Glaces Tilghman's Patents Sandblast Company" (1883), 25 Ch. D. 1.

219. See *Montres Rolex S.A. et al v. Minister of National Revenue* (1987), 17 C.P.R. (3d) 507 (F.C.T.D.). Also, *Montres Rolex S.A. v. Balshin, et al.* (1990), 29 C.P.R. (3d) 257.

220. *Bishop v. Télémetropole* (1990), 72 D.L.R. (4th) 97 (S.C.C.).

221. See *Albany Packing Company v. Registrar of Trade Marks* (1942), 1 C.P.R. 101 at 117 where there was no ambiguity. See also *CAPAC v. CTV Television Network Ltd.* (1968), 55 C.P.R. 132 (S.C.C.) and *Arrow River and Tributaries Slide and Broom Co. Ltd. v. Pigeon River Co. Ltd.* [1932], S.C.R. 495; *Capital Cities Communications Inc. v. Canadian Radio and Television Commision* (1978), 36 C.P.R. (2d) 1

222. *CAPAC v. CTV Television Network Ltd.* (1968), 55 C.P.R. 132 (S.C.C.).

223. R.S.C. 1985, c. F-29.

224. See P. Areeda, *Antitrust Analysis*, (Boston: Little, Brown, 1967) 64. See Also G.F. Henderson, "Foreign Courts and the National Interest: The Effect of Foreign Judgments in Canada" (1975), 17 C.P.R. (2d) 130. See also *British Nylon Spinners Ltd. v. ICI Ltd.*, [1953] 1 Ch. 19, [1955] 1 Ch. 37.

225. See Science Council of Canada, *Discussion Paper: Innovation and Intellectual Property Rights in Canada*, (Ottawa: Minister of Supply and Services, 1990).

226. See *Competition Act*, as am. s. 32. See D.W. Henry, *Patents in Relation to the Combines Investigation Act*, P.T.I.C. Bulletin, Series No. 7, V. 17, July 1966, 1 at 9; *Dominion Rubber v. Max Propas et al.* (1963), 41 C.P.R. 194 (Ex. Ct); and *R. Union Carbide Limited*, Minutes of Settlement in the Exchequer Court of Canada, Dec. 9, 1969 and June 19, 1971 and the *Annual Report* of the Director of Investigation and Research for the years ending March 31, 1970 and March 31, 1972.

227. *Competition Act*, S.C. 1986, as am. s. 79(5).

228. *Director of Investigation and Research v. The NutraSweet Company* (1991), 32 C.P.R. (3d) 1.

229. *Ibid.* at 78-80.

230. *Ibid.* at 71.

231. *Ibid.* at 68.

232. *Morton Salt Co. v. G.S. Suppinger*, 314 U.S. 488 (1942).

233. P. Areeda, *supra*, note 224.

234. *Handgards Inc. v. Ethicon, Inc.*, 601 F. 2d 986 (9th Cir. 1979), aff'd 743 F. 2d 1282 (9th Cir. 1984).

235. See *Otter Tail Power Co. v. United States,* 410 U.S. 366 (1973).

236. *Kobe, Inc. v. Dempsey Pump Co.,* 198 F. 2d 416 (10th Cir.) cert. denied 344 U.S. 837 (1952).

237. *Procter and Gamble Co. et al. v. Kimberly-Clark of Canada Ltd.,* 12 C.P.R. (3d) 430 at 432 per Strayer, J. See also *RBM Equipment Ltd. v. Philips Electronics Ltd.* (1973), 9 C.P.R. (2d) 46 at 59:

> "It seems, therefore, to be an open question whether the Court will ever decline relief in an infringement action to a party holding the title to industrial property save where what is being sought in the action is in substance the enforcement or furtherance of the illegal conspiracy or agreement itself."

238. The issue of anti-competitive abuses as a defence in infringement actions has arisen in Canada and has been partially sanctioned by way of *obiter dicta,* but we have no actual precedents as is the case in the USA. See *Massie and Renwick Ltd. v. Underwriters' Survey Ltd;* [1937] S.C.R. 265, [1939] S.C.R. 218 and [1940] S.C.R. 396; *Philco Products Ltd. v. Thermionics Ltd.,* [1940] S.C.R. 501.

239. *General Motors of Canada Ltd. v. City National Leasing et al.* (1989), 24 C.P.R. (3d) 417 and *Recois Construction Inc. v. Quebec Ready Mix Inc.,* [1990] 2 S.C.R. 440. Note *Westfair Foods Ltd. v. Lippens Inc.,* [1990] 2 W.W.R. 42 (Man.), wherein common law torts of restraint of trade, etc. continue, despite enactment of certain specific provisions in the *Competition Act*.

240. *Penzoil v. Texaco,* 473 A. 2d 358; 482 A. 2d 766; 729 S.W. 2d 768; 626 F.Supp. 250; 756 F.Supp. 166; 784 F. 2d 1133; 106 S.Ct. 3270; 107 S.Ct. 1519; 108 S.Ct. 1304; 485 U.S. 994.

241. See *Re Trepca Mines,* [1963] Ch. 199 (per Denning, J.); *Oram v. Hutt,* [1914] Ch. 98 (C.A.).

242. See *R. v. Strong, Cobb, Arner of Canada Ltd.* (1973), 15 C.C.C. (2d) 288, aff'd 16 C.C.C. (2d) 150 (C.A.).

243. *Ibid.*

244. See *R. v. Stewart, supra,* note 131.

245. *Consolidated Bathurst Packaging Ltd. v. International Woodworkers of America and Ontario Labour Relations Board,* [1990] 1 S.C.R. 282.

246. See *Re Royalties for Retransmission Rights of Distant Radio and Television Signals* (1990), 32 C.P.R. (3d) 97.

247. For a useful discussion of the policy aspects of "reconsideration", see T. Ison, *The Administrative Appeals Tribunal of Australia,* (Law Reform Commission of Canada, 1989) at 32. Dr. Ison generally disapproves of internal "reconsideration" procedures. However, with respect to such matters as the supervisory review of patent examiner's work I respectfully disagree with him and think that reconsideration rather than formal appeal is advisable.

248. R. Carson and D. Savard, *Study on Decision Making Processes in Patents, Trade Marks, and Industrial Designs,* unpublished mimeograph, (Ottawa: CCAC, 1980) at 87, 212.

249. Carson, op.cit., at 88, 212.

250. *Trade-marks Act*, R.S.C. 1970, c. T-10, s. 37 (8).

251. See *Patent Act*, R.S.C. 1985, c. P-4, as am. ss. 39(3), 39(4), and 65.

252. For a useful synopsis of procedures on various appeals according to the current law, see Joan Clark, "Intellectual Property Litigation in Canada" (1987), 3 C.I.P.R. 68.

253. *Industrial Design Act*, R.S.C. 1985, c. I-8, s. 6(2).

254. *Ibid.* s. 23.

255. T. Ison, *The Administrative Appeals Tribunal of Australia*, (Law Reform, Commission of Canada, 1989) at 69.

256. See *CAPAC v. Sandholm Holdings Ltd.* (1955), 24 C.P.R. 58 (Ex. Ct.) per Thorson, P.

257. For example, see s. 62 of the *Patent Act*.

258. See *Consolidated Bathurst, supra*, note 240.

259. For terms of employment, see H. Molot, "Employment During Good Behaviour and At Pleasure", 2 C.J.A.L.P 238.

260. P.W. Hogg, *Constitutional Law of Canada*, 2d ed., c. 7: "Courts - Federal Courts; Implications of the Constitution's Judicature Sections", 141 at 149.

261. The recent decision of the Quebec Superior Court *Alex Couture Inc et al. v. Att. Gen. Canada, Competition Tribunal, Director of Investigation and Research, supra*, note 113, builds upon this reasoning in extending judicial review to federal statutory authorities. Justice Phillipon in finding the Competition Tribunal to be invalid on account of the presence of lay members states:

> "... Parliament does not have the jurisdiction to grant the powers which the Act confers on the Competition Tribunal, treating it like a superior court of record with all the powers of a true court, without giving the Tribunal the characteristics essential to independence."

However, the reasons for decision of Strayer, J. in *Director of Investigation v. The NutraSweet Company*, Oct. 4, 1990, come to a different conclusion and uphold the validity of the Competition Tribunal panel, including its lay expert member in that case.

262. See *Regulatory Agencies - A Study Team Report to the Task Force on Program Review*, 1985, at 68.

263. R.S.C. 1985, c. C-33 (3rd Supp.).

264. See *Smith, Kline and French Laboratories Ltd. v. A. G. of Canada* (1986), 12 C.P.R. (2d) 385 (C.A.); *Imperial Chemical Industries PLC v. Apotex* (1990) 31 C.P.R. (3d); *Apotex Inc. v. Imperial Chemical Industries PLC* (1989), 27 C.P.R. (3d) 345 (F.C.A.); and *Imperial Chemical Industries PLC v. Apotex Inc.* (1989), 23 C.P.R. (3d) 1.

265. *Canadian Admiral Corporation v. Rediffusion Inc.* (1954), 20 C.P.R. 75.

266. *CTV Television Network Ltd. v. Copyright Board, supra*, note 167.

267. *Integrated Circuit Topography Act*, (Bill C-57), S.C. 1990, c. 37.

268. Clyde V. Prestowitz, *Trading Places*, (New York: Basic Books, 1988) at 7, 62; and T.R. Howell, *et. al.*, *The Microelectronics Race*, (Boulder, Colorado: Westview Press, 1987) at 18, 221.

269. The most recent study is by William Hayhurst, Q.C., in the form of an as yet unpublished manuscript dated May 8, 1990 commissioned by Consumer and Corporate Affairs Canada.

270. See *CAPAC v. CTV* (1968), 55 C.P.R. 132 (S.C.C.).

271. *Bishop v. Télé-metropole, supra*, note 215.

272. See H. Knopf, "Computer Program and Semiconductor Chip Protection" (1986), 2 C.I.P.R. at 190-191 based upon 1985 presentation to PTIC Annual Meeting.

273. See *Lotus v. Paperback*, 740 F. Supp. 37 (U.S. Dt. Ct. Mass. 1990).

274. *Whelan v. Jaslow*, 797 F. 2d 1222 (3rd Cir. 1986).

275. See s. 64.1 of the *Copyright Act* as amended and s. 26 of R.S.C. 1985 (4th Supp.) See also *Spiro-Flex Industries Ltd. v. Progressive Sealing Inc.* (1987), 13 C.P.R. (3d) 311 (B.C.T.D.).

276. See *Bayliner Marine Corp. v. Doral Boats Ltd.* (1986), 10 C.P.R. (3d) 289 (F.C.A.). Leave to Appeal to S.C.C. refused 14 C.P.R. (3d) 446.

277. *British Leyland v. Armstrong Patents*, [1986] 1 All E.R. 850 (H.L.).

278. See Chapter V.

279. See R. Barrigar, A Proposal for Repeal of Section 49 (The Registered User Section) of the *Trade Marks Act* and the Enactment of Substitute Legislation, CCAC, June, 1987. See also H.P. Knopf, "Trademark Law Revision: Update and Options", paper presented to the PTIC Annual Meeting (1987), 3 C.I.P.R. 352.

280. *Renwal Manufacturing Inc. v. Reliable Toy Ltd.* (1949), 9 C.P.R. 67.

281. *Melnor Manufacturing Ltd. v. Lido Industrial Products Ltd.* (1970), 62 C.P.R. 216.

282. W.L. Hayhurst, Q.C., Preliminary Draft of a Report on Revision of the Canadian *Industrial Design Act*, prepared for Consumer and Corporate Affairs Canada, manuscript. May 8, 1990.

283. *Ibid.*

284. See discussion above in Chapter V.

285. *Warnink(Erven) v. Townend* [1979] A.C. 731; [1980] R.P.C. 31; [1979] F.S.R. 397; [1979] 3 W.L.R. 68; [1979] 2 All E.R. 927.

286. See *Asbjorn, supra.*

287. H. Knopf, "*Seiko v. Consumers Distributing*: More Shades of Grey Marketing Law" (1985), 1 I.P.J. 337.

288. See *Seiko Time Canada Ltd. v. Consumers Distributing Co. Ltd* (1980) 29 O.R. (2d) 221, 50 C.P.R. (2d) 147; aff'd. 34 O.R. (2d) 481, 60 C.P.R. (2d) 222 (CA); rev'd [1984] 1 S.C.R. 583, 1 C.P.R. (3d) 1.

289. *Bishop v. Télé-metropole, supra*, note 215.

290. *Watkins v. Olafson*, [1989] 2 S.C.R. 750 at 760.

291. *Supra*, note 215.

292. *Pioneer Hi-bred Ltd. v. Commissioner of Patents* (1989), 25 C.P.R. (3rd) 257.

293. *Whelan Associates Inc. v. Jaslow Dental Laboratory Inc.* (1986), 797 F. 2d 1222; cert. denied 479 U.S. 1031 (1987).

294. *Lotus Development Corporation v. Paperback Software International Limited*, 240 F. Supp. 37 (U.S. Dist. Ct., Mass. 1990). At the time of writing, it has been announced that the parties have settled this litigation. It is reported that Paperback agreed to pay Lotus $500,000 for copyright infringement and to stop marketing the infringing spreadsheet products. Paperback also agreed not to appeal Keeton, J.'s judgment and to drop its counterclaim against Lotus. See 40 P.T.C.J. 545 (October 25, 1990).

295. *Compo Co. v. Blue Crest Music Inc.* (1979), 105 D.L.R. (3d) 249 at 260 (S.C.C.).

296. Federal Court of Canada: Judicial Information Services Statistics, August 28, 1990.

297. The proceedings commenced include appeals from the Registrar of Trade-marks re. the validity or registrability of a mark.

298. All reported and unreported written Federal Court trial judgments as reported or digested in the Federal Court Reports and indices thereto.

299. Federal Court of Canada: Judicial Information Services August 28, 1990.

300. These figures represent the number of written interlocutory orders and final decisions of the federal and provincial courts for the years 1986, 1987, 1988 and 1989 cumulatively.

301. SOQUIJ database.

302. David Morrow, *Patent Infringement Litigation Costs: A Practical Worldwide Survey*, Chapter 4: Canada, A. Boujou (ed.) & Commission of European Communities.

303. Annual Reports, Administrative Office of the United States Courts, U.S. Department of Justice Statistics.

304. *Ibid.*

305. *Ibid.*

306. C. Brainard, S. Wisser, *Patent Infringement Litigation Costs: A Practical Worldwide Survey* Chapter 18: United States, p. 187, Copyright A. Boujou (ed.) & The Commission of the European Communities.

307. *Ibid.*

308. *Ibid.*

309. This Schematic Diagram does not address litigation strictly among private parties. Generally, such suits may be brought before either the Federal Court, or a provincial court of competent jurisdiction. See Chapter I for additional details.

310. The *Trade-marks Act* was amended on June 29, 1977 under the *Miscellaneous Statute Law Amendment Act, 1977* to enable the Registrar to delegate his or her power with respect to oppositions. The amendment reads as follows:

> 44. Section 37 of the *Trade-marks Act* is amended by adding thereto the following subsection:
> (9) In this section, "Registrar" includes such persons as may be authorized by the Registrar to act on his behalf for the purposes of this section.

The Commissioner of Patents, in effect, sits as a tribunal on a number of intellectual property matters some of which are appealable to the trial division, many of which are appealable directly to the Federal Court of Appeal. For greater detail see Chapter VIII and the relevant statutes.

311. The Patent Appeal Board is a non-statutory body consisting of senior officials who advise the Commissioner of Patents in connection with the review of decisions of examiners in the course of prosecutions of patent examinations. It is essentially an informal internal body that advises the Commissioner by way of review rather than formal appeal.

312. Note also the existence of a new apparatus established by Bill C-22 consisting of a "Re-examination Board". For a brief discussion of this board see Chapter VIII.

313. The *Patent Act* is silent as to the appeal route from the Patented Medicine Prices Review Board. Under Bill C-38, judicial review of the decisions of this tribunal will be within the jurisdiction of the Federal Court Trial Division.

314. An appeal from a decision of the Copyright Board can also be brought to Cabinet, if it concerns the retransmission tariff.